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THE PLANNING BOARD

THE FIRST FIVE YEAR DEVELOPMENT PLAN

1967/68 - 1971/72

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CHAPTER ONE

CHAPTER ONE

RATIONALE OF COMPREHENSIVE PLANNING IN THE STATE OF KUWAIT

1. The advancement and progress of present-day nations and societies can be seen from the degree of prosperity and comfort they offer their people in order to lead a rewarding life. The mere wealth and economic potential of a country is no longer a sufficient testimony of its advanced standing. Such a status is reserved for societies whose people are capable of marshalling economic resources for their intellectual and material advancement.

2. The progress of a society is closely associated with the individual's contribution, whether through physical or mental effort. No society can improve its condition or stake for itself a significant claim upon the history of human civilization unless each of its members is convinced that he has a role to play in the development and advancement of his society. Only insofar as they all work to fulfill this role will it be possible for their society to evolve progress and develop. Each member of the society must necessarily benefit from the fruits of such progress and growth in direct proportion to the effort he makes towards its development. This reciprocal relationship between society and the individual on the one hand and the individual and society on the other constitutes the driving force for nations to forge ahead towards prosperity and maturity. The under-

development of three-quarters of the world today may well be the result of the absence of such a reciprocal relationship leading, therefore, to the widespread state of ignorance and deprivation which, in its turn, further strengthens the vicious circle of backwardness.

3. Many nations have awaken, after long periods of slumber, to the evils of underdevelopment. They are now trying to escape from its dangers, keep pace with the times and contribute not only to their own welfare but also to that of humanity as a whole. Such nations have had to accelerate their rate of social and economic growth in their attempts to narrow the gap between them and the developed countries. Experience has taught them that the best way to do this is to encompass all aspects of social and economic activity by means of comprehensive planning. They have also become aware that the activities of the public and private sectors must be properly co-ordinated if the required development is to be realised in the shortest possible time.

I. The Nature of Economic & Social Planning in Kuwait

4. It is perhaps superfluous to repeat the achievements of the State of Kuwait over the last decade, whether in urbanization or in the various social services. But it would certainly be no exaggeration to state that many countries would encounter great difficulty if they were to attempt to match Kuwait's achievements. Kuwait's per capita income is today one of the

highest in the world. The educational and health services it offers are almost unparalleled elsewhere. All this, and yet the citizens contribute almost nothing towards financing the [illegible] purse through taxation.

5. But in spite of all these undoubtedly brilliant achievements the question remains: is it possible to consider Kuwait as an advanced country merely on the merit of its national and per capita income?

It is common knowledge that amongst the more typical indicators used by economists to determine the relative state of development of a certain country is the comparison of the real per capita income in that country with those of the more advanced countries of the world, such as North America and certain countries of Western Europe. Moreover, economists tend to define the rate of economic growth as a real and continuous increase in national income outstripping the rate of increase in population.

Such definitions can be considered true and acceptable if they are associated with firm and constant conditions ensuring increases in the real national income. That is to say, the sources of production in any country should be capable of not only maintaining a high level of real per capita income but also of continuously raising that level.

If such conditions are vulnerable to discontinuity then the already attained high levels of income are threatened with depressing forces. This is inevitable unless new methods of production can be devised which will replace existing methods to produce more dynamic economic conditions.

6 The factors of production are limited in any part of the world to three categories; **Land, Nature and Man-power**. Man acts as a catalyst when he uses his mental and physical energy to transform natural resources into goods and services which satisfy his needs and desires.

If the natural resources of a particular country are plentiful and diverse, and if its population works hard to exploit them, then that country's economy will display self-sufficiency and sustained growth. Conversely, when a country has few or dwindling natural assets its economy will be under constant threat of the loss of its means of livelihood.

7. In the light of the above qualifications, there is sufficient reason to consider the Kuwaiti economy, in spite of its high per capita income, as one existing in a state of relative underdevelopment. It is therefore necessary to find the reasons for this condition of backwardness. The first step in this search is to make a preliminary analysis of the structure of the Kuwaiti economy. Such an analysis reveals the following main features:

a) An overwhelming dependence upon oil and its allied industries and services for maintaining most of the high incomes in the country. As a result, the economy's growth potential is closely dependent upon technological developments in the oil industry and its allied industries: such developments may adversely affect increases in oil production and hence in revenues from oil. Similarly, new scientific breakthroughs may significantly reduce the dependence on oil as a primary source of energy market which oil at present enjoys.

b) A serious deficiency in **skilled human resources** which form the cornerstone in the structure of a sound economic entity. Efforts have been made to remove this deficiency. But there are still too few specialists in all fields of science and learning. The mere availability of natural resources is no guarantee for development and prosperity. It is man who can, with suitable knowledge and will-power, discover, harness and shape them to fulfill his needs and desires. Kuwait is unique in this respect. More than half of its population consists of foreigners, the majority of whom are Arabs. The country draws the bulk of its **skilled labour** from amongst these expatriates.

In general terms Kuwaiti citizens incline towards either commerce or government service, and often work in both. They have drifted away from directly productive occupations such as fishing, handicrafts and various services and have moved into commerce and government service. This trend has become more and more apparent with the increases in oil revenues. It has gravely inflated the Civil Service and has contributed to the growth of disguised unemployment amongst Kuwaiti citizens.

[illegible] [illegible] institutes to undertake scientific research into the country's natural and human resources. Such institutes should also examine the type of technical and scientific [illegible] required to exploit these resources for the benefit [illegible] [illegible] the welfare of the individual.

d) [illegible] great [illegible] [illegible] [illegible] [illegible] and capital goods. This exposes the national economy to economic disturbances abroad resulting in highly fluctuating price levels and unguaranteed sources of supply.

e) [illegible] [illegible] saturation point for heavy trading activity in capital and consumer goods. This is a result of the tapering off of the construction boom and the end of the population explosion. Further home trade expansion is expected to depend on marginal increases in population, replacement and renewal of consumer goods and the expected expansion in the various productive projects.

f) Though existing price levels are relatively stable they are unnaturally high. As a result they tend to choke the flow of purchasing power and to raise the wage levels. Subsequently they raise the cost both of production and of the various services. In other words the high price level may hold back the establishment of various productive enterprises in Kuwait.

[illegible] This brief analysis of Kuwait's economy indicates the steps that must be taken to attain both the short-term and long-term [illegible] for a sound economic foundation on the basis of which it will be possible to build a self-sufficient and growth-sustaining economy.

The overall objectives of economic and social development of a society must be clear and well defined. Only then will it be possible to sketch the national economy in the near and distant future.

II Overall Objectives of Economic & Social Development in Kuwait

9. It is accepted that all societies aim to achieve an accelerating rate of economic growth consistent with the rate of population growth. At the same time they wish to offer every individual the opportunity to earn larger income to raise both his material and intellectual standing.

Clearly, the principal objective of socio-economic development plans in the State of Kuwait should not differ from that of any other society. Indeed it should similarly **emphasise the steps that must be taken if the per capita income level is to rise constantly.**

10. However, increasing the national income and raising the per capita income will not by themselves ensure the achievement of society's objective of assuring every individual a high level of income. The achievement of such an objective is closely associated with the method of distributing the national income amongst those who have participated in generating it. A badly

distributed national income could result in significant differences in personal incomes. Concentration of most of it in the possession of a minority would undoubtedly have adverse effects upon society as a whole. This would especially influence its desire to attend to the welfare of its individuals and raise their spiritual and material levels. Such a inequitable distribution of national income not only conflicts with the principles of social justice and social security, but also disturbs the balance of the overall economic situation. It is a well known fact that economic activity is usually determined by the level of real demand for goods and services available on the market. This demand, in itself, depends to a large extent on the size and the distribution of national income. The greater the national income and the fairer its distribution among the population, the quicker the increase in real demand, and hence the growth in economic activity.

The objective of raising the national income must therefore be associated with the objective of ensuring a more equitable income distribution. Accordingly, the second overall objective of development in Kuwait is **to ensure a more equitable distribution of income in order to achieve a reasonable degree of social justice and to secure a continuously dynamic economy.**

11. A quick analytical survey of the structure of the Kuwaiti economy shows that the per capita income level is closely associated with oil production. But the fact that the proven oil

reserves already guarantee a continued oil production for decades to come must not permit the present generation to ignore its obligations towards future generations. To depend continually upon oil resources would only impede the consolidation of the Kuwaiti economy on firm foundations. Efforts must therefore be made to transform most of the oil resources towards productive ends. This step will contribute to the increase of the national income and the raising of the per capita income.

Thus the present generation finds itself entrusted with a difficult task. It must bring about a radical change in the structure of the Kuwaiti economy and transform it from a single - resource to a multi - resource economy. That is to say, the present generation should attempt to diversify the sources of national income and gradually reduce the virtually total predominance of the oil sector.

The third overall objective is, therefore, **the achievement of a greater degree of diversification in the sources of the national income of Kuwait while, at the same time, increasing the relative contribution of the non-oil sectors of the economy.**

12. The diversification of economic activity in the Kuwait economy necessitates basic changes in the social structure. These changes will allow technical and scientific talents to emerge. They are needed to bring about the desired diversification.

Human skills, both in technical dexterity and scientific proficiency are the driving force behind the expansion of prohuman capabilities. No society can hope to progress unless it can equip itself with indigenous skills and technical experience essential for achieving a balance between society's needs and its basic structure. Any effort to sustain an indigenous socio-economic development using imported foreign skills, without a continuously increasing flow of local skills, will prove futile.

Thus the fourth overall objective is **the training of human resources of Kuwaiti citizens in order to create those specialised human skills in science and technology that will be able to fulfill the development requirements of the Kuwait economy.**

13. The State of Kuwait is a member of the Greater Arab Community, to which it is bound by the common ties of aims and destiny. Since economic integration is one such aim, the development pattern of Kuwait should be co-ordinated with those of Arab States working towards Arab economic integration and rapid economic development.

The fifth overall objective is therefore **the co-ordination of the needs of economic development in Kuwait with the desire for a comprehensive economic integration of the Arab countries.**

14. The five overall objectives above may be referred to as the optimum objectives of socio-economic development in the State of Kuwait. To achieve them, it is necessary to devise a work programme, the sections of which are chronologically interrelated and co-ordinated.

Moreover, in order to achieve such objectives it is necessary to formulate certain policies which will assist in the proper implementation of this programme. Existing policies, therefore, should now be examined from the point of view of these new objectives. Their compatibility with the overall policy of economic and social development should be assessed accordingly.

Fiscal, monetary, credit, commercial and industrial policies as well as policies governing education, health and social services should all be effectively made use of in order to achieve the development objectives. The incompatibility of [illegible] existing policies and the objectives of development will [illegible] progress [illegible] of these objectives [illegible] impossible [illegible] economic progress in the country.

III The Political Framework & Comprehensive Planning

15. The Planning [illegible] a scientific process involving the direction of the [illegible] of a particular society towards certain types of specific [illegible] which it desires to attain within a limited span of time. In some countries, planning has been associated with certain political and social systems, by means of which the State controls all economic activity and conscripts its citizens to realise objectives it formulates for them. The modern concept of the planning process, however, has disowned such a characteristic of narrow centralization. Instead it has instituted the planning process as a scientific **modus operandi.** This has been adopted by many

countries, especially the underdeveloped countries, to accelerate socio-economic development and substitute organization and co-ordination for chaos and disorientation. Hence, the degree of centralization in the planning process differs in accordance with the prevailing constitutional system in the various countries of the world. In other words, the form of constitution which the people accept determines the political framework of the planning process and hence defines its scope of relevance.

16. The Constitution of the State of Kuwait cites several provisions which, put together, form the political framework for the planning process. Article 20 reads as follows :

> "The national economy shall be based on social justice. It is founded on fair co-operation between public and private activities. Its aim shall be economic development, increase of productivity, improvement of the standard of living and achievement of prosperity for citizens, all within the limits of the law".

Article 16 stipulates:

> "Property, capital and work are fundamental constituents of the social structure of the State and of national wealth. They are all individual rights with a social function as regulated by law".

The Constitution also includes other provisions concerning the respect and safeguarding of private property, the prohibition of their general confiscation and the regulation of the relationships between employers and employees in line with economic principles yet respecting the principles of social justice.

All these provisions in the Constitution determine, in general, the dimensions of the planning process in the State of Kuwait and outline its path. Perhaps the most important fact to observe in these provisions is the emphasis placed upon the principles of social justice, social functions and economic activity. This emphasis is consistent with recent developments in the attitude towards property rights, capital, labour, the responsibility of public and private activity in the development of the national economy, and the spread of prosperity among all citizens. Property, capital and labour are no longer uncontested absolute rights, but a mixture of rights and obligations. Property is a right so long as the holder meets his obligations towards his community. Capital is a personal right involving social obligations. The most important of these obligations is the participation in developing the productivity potential of society in accordance with the principles of social justice. The same is true of labour as a personal right with obligations towards society.

The activities of both the public and private sectors are closely associated with the achievement of economic development through increasing production, raising the standard of living and spreading prosperity and welfare facilities amongst everybody. The achievement of this objective will not be possible without full co-operation between the public sector and the private sector. Such co-operation is vital for the achievement of the common good of society as a whole.

It is important to determine the fields of activity of each sector, both public and private. But it is equally important to determine which of the two sectors may contribute towards the greatest good by specialising in certain fields of activity. The Constitution had this in mind, [illegible] when it calls for careful cooperation [illegible] in the process of economic [illegible] the pursuit of prosperity for all.

The [illegible] of the State of Kuwait is [illegible] consistent with the [illegible] its firm [illegible] It [illegible] on the [illegible] of harmony, co-operation and security prevailing among its members. The legislators of the Constitution did not go to extremes in economic and social terms but intended moderation and flexibility. The Constitution provides for the restriction of the excesses of capitalism in its traditional meaning, by allowing the State to intervene, directly or indirectly, to safeguard the interest of the people at all levels. It also provides that the intervention of the State should stop at certain limits in order to allow private effort and economic freedom enough room to function. In other words, the Constitution and the laws resulting from it aim at defining the general framework for the performance of the economy and society within set boundaries. It also gives individuals and private establishments freedom to practise economic activity within these boundaries and imposes restraints when attempts are made to exceed them.

IV. Long-term Objectives of Economic Development and Phased Development Plans

18. The [illegible] only be expected [illegible] [illegible] [illegible] ing over [illegible] [illegible] [illegible] Plan should be viewed as one stage [illegible] [illegible] journey, [illegible] [illegible] [illegible]. At the same time, however, it is necessary to ensure that the objectives of the single Five-Year Plan and those of subsequent Five-Year plans fall into the logical pattern of the long-range [illegible]. In other words, the objectives of [illegible] [illegible] for the distant future should be [illegible] [illegible] ing objectives for the near future. There [illegible] [illegible] or contradiction between the two sets of objectives. It [illegible] necessary to state that every phase [illegible] [illegible] certain objectives. These might differ from the pattern of emphasis [illegible] according [illegible] [illegible] phase. Every phase has its own needs and requirements and consequently [illegible] its distinctive pattern of emphasis.

19. Moreover, the distinction between the two sets of objectives is a distinction in performance, as well as a distinction in time. One five-year plan represents a transitional period or the first stage of a planned development. What a society seeks to perform during this period should be modest by comparison with what it should intend to achieve and perform in the long run by producing, a marked change in the economic and social structure, increasing general productivity, diversifying production and other long-range objectives of economic and social development.

CHAPTER TWO

CHAPTER TWO

THE TAKE-OFF POINT OF THE FIRST FIVE-YEAR PLAN

1. Scientific planning can be adopted to ultimately solve the economic and social problems facing Kuwaiti society. It can also lay firm foundations for a progressive economic and social entity consistent with the progress of human intellect and the development of world civilization. But such planning requires an objective analysis of the society, together with a survey of the economic events and social evolution which have helped to produce its characteristic features. Thus, in order for planning to initiate a steady and balanced development on both economic and social levels it must weigh the points of strength and weakness of the economy and society. It should also reinforce the former while overcoming the latter and so pave the way for the attainment of the desired society.

I. The Economy in the Pre-Oil Era

2. The Kuwaiti economy at the turn of the twentieth century was in a relatively healthier position than the economies of other Amirates of the Arabian Gulf. The main occupations of Kuwaitis were pearl-diving, boat-building, shipping, maritime-trading and re-export trade. Several thousand men earned their living diving for pearls from hundreds of small vessels. Most pearl divers, however, supplemented their incomes by engaging in trade and shipping at the close of the season. But the flood-

ing of the pearl markets of the world with Japanese cultured pearls destroyed the Kuwaiti pearl-diving industry. Over 150 Kuwaiti vessels, which comprised the Kuwaiti maritime fleet, for a time absorbed most of the redundant pearl-divers. But severe competition by modern ocean-going vessels halted their activity also.

This loss of income was partly made up by trading in precious metals with the Far East. The people came to enjoy a relatively satisfactory per capita income: the equivalent of about K.D. 7.5 before 1946. After this, oil began to take on its importance as the main economic resource of the country.

II The oil Era

3. The Kuwait Oil Co. Ltd.,* was established in February 1934. The first test-drilling was made in 1936 at Bahra on the north coast of Kuwait Bay. Drilling in the Burgan area began in October 1937 and led to the discovery of a huge oil field. Production and exports were about to begin when the developments of World War II caused all oil operations to stop early in 1942.

4. The Company's operations were resumed in the autumn of 1945. Soon afterwards, activity in the oil sector picked up and the first oil shipment left Kuwait in 1946. Thus a new economic era was heralded with the sparking off of the country's huge

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* The Company is owned with an equal shareholding by the British Petroleum Co. and the American Gulf Oil Corp. The Kuwait Oil Co. was granted a concession, in accordance with an agreement concluded with the Ruler of Kuwait on 23/12/1934, for the production and exploitation of oil in an area of 6,000 square miles and for a period of 75 years. The concession provided that the Company should pay an initial amount of £ 35,250 (Rs. 470,000) and a royalty of 4/6d. (Rs. 3) per ton provided that the annual royalty payments should not be less than £ 18,750 (Rs. 250,000). Taxes were substituted by a levy of 4.5 pence (4 Annas) per ton.

oil potential. Soon it was characterized by a building boom and a social revolution that has substantially changed the features of the country.

A. 1946 - 1951 : Gestation Period

5. It is fair to call this period one of laying the ground for the structural, social and economic changes with their accompanying construction boom that took place in the fifties and early sixties. The oil and financial resources had just begun their flow and had not yet burst forth as they did later on. Kuwait was still living under a socio-economic administrative system nearer to that of traditional Kuwaiti society in the pre-oil era than to the modern system which was established later. Yet the government had already anticipated the general features of the future; with its advantages and problems, its hopes and anxieties, its prosperity and its tensions. The effects of such foresight became apparent when the administrative bodies were established to help the Ruler fulfill his responsibilities and to offer him advice. Four Councils for Education, Health, Municipal Affairs and Awqaf (Religious Affairs) were set up. The Educational Council was the most significant. During its existence, the expansion in local educational services and the despatch of student missions abroad reached the widest possible scale.

6. In 1950 an important step was taken towards planning the development of the City of Kuwait and rebuilding it on the

pattern designed for the future. A Master Development Plan was drawn up for the City and its suburbs. It located the sites for public services, industrial areas, ports and residential areas.

7. During this period also the economy's infrastructure was organized by establishing new departments for Electricity & Water, Public Works, Public Property & Finance. A Development Board was formed to supervise large development projects. However the overlapping of responsibilities between the Development Board and the Dept. of Public Works caused the former to merge into the latter. Thus the Dept. of Public Works alone became responsible for the planning and execution of all development projects, irrespective of type or size.

8. These developments took place concurrently with the growth in oil production and state revenues. Production increased thirtyfive-fold between 1946 and 1951, while oil revenues increased from £ 5 million for the period 1946-1949 to around £ 6 million in 1951 alone.

9. During this period the Government of Kuwait granted a new oil prospecting concession to the American Independent Oil Co. This agreement provided that the government should be given a 15 per cent share in a subsidiary company entrusted with the task of oil prospecting in the Kuwaiti Saudi Neutral Zone. Moreover, the other terms of the agreement were more favourable to Kuwait than those in K.O.C.'s concession at the time. American Independent, for instance, pledged a royalty of $ 2.50 and a fee in lieu of tax amounting to 7.5 U.S. cents for

every metric ton of crude oil produced and sold.

10. In 1951, the concession agreement with K.O.C. was modified to make the Company subject to the Kuwaiti Income Tax Law at the rate of 50 per cent of realized net profits. Meanwhile, it continued to pay royalties as advance payments on the amount due to the government as income tax. The duration of the original concession, however, was extended seventeen more years, that is till the year 2026 A.D.

11. These developments gave promise of forthcoming construction activity. The country attracted thousands of Arab and non-Arab expatriates who came to work on construction contracts and as artisans, technicians, administrators, clerks and accountants, and as skilled, semi-skilled and unskilled labourers. Meanwhile, the government began to allocate a large part of its increasing oil revenues to development schemes, with particular emphasis on economic and social investments ; i.e. the social overhead capital of the country. By doing this, the government spurred construction activity in general, and provided the impetus for the private sector to initiate its large investment activity, of which residential and commercial buildings accounted for the largest share . Kuwait was thus underway to meet the challenge of its new wealth and to lay the foundations of a new political, economic and social life.

B. The Construction Boom 1952-1962

12. The year 1951 is considered a turning point in the develop-

ment of oil revenues in Kuwait. The increase in such revenues was so great that they easily outstripped increases in oil production. This was, of course, the immediate result of applying the principle of equal profit distribution between the government and the oil companies. As a result oil revenues increased by 3500 per cent (from£.6 million to £.216) during the period 1951-1964, compared to a mere 311 per cent increase in production for the same period.

13. As a result of the increases in oil production, Kuwait has become one of the world's largest producers and exporters of oil. Already, proved oil reserves are estimated at about 21 per cent of the world total. Apart from the huge size of this source of wealth, Kuwait is also the cheapest producer of crude oil in the world.*

14. During the period 1952-1965 the government systematically sought to improve the benefits it obtained from its oil as well as to increase its actual control over the oil wealth. Among the most significant efforts in this direction were the subsequent 1955 Supplementary Agreement with K.O.C. and its inducement to relinquish 60 per cent of its concessionary area to the government, which then handed it down to the Kuwait National Petroleum Co. as its own concessionary area. K.N.P.C., which is a national concern, was established in 1960 and is

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* Production cost of crude in Kuwait is 7 U.S. cents per American barrel compared with an average cost of 20 U.S. cents in the Middle East as a whole, 80 U.S. cents in Venezuela and the U.S.S.R. and $ 1.75 in the U.S.A.

jointly owned by the government (60 per cent) and the private sector (40 per cent). In attempting to follow a distinctive oil policy, the government chose to take part in the administration and general operations of the concessionary oil companies . This participation is clearly demonstrated by the agreement concluded in 1958 with the Arabian Oil Co. (Japan) Ltd. Here the government bought 10 per cent of the Company's shares at par value. The same principle was applied in the agreement concluded with the Kuwait Shell Petroleum Development Co.: the government retained for itself, or for a local company in which it holds majority shares, the option to buy 20 per cent of the total capital of this company.

15. Abroad, Kuwait joined the Oil Producing & Exporting Countries Organization (OPEC) which was established in 1961 to promote a common oil policy in the interests of all member countries.

16. It has already been mentioned that Kuwait's oil revenues increased almost thirty-five fold between 1951 and 1964. They reached K.D. 216 million at the end of 1965. As a result of this acceleration of the country's oil income and of the sparse population, the per capita income in Kuwait became one of the highest in the world. Meanwhile, construction and building activity made great progress and consumption and living patterns underwent radical changes . A social revolution was sparked off in the country. It led eventually to the presence of new economic groups, the diversification of economic endeavour

and the launching of substantial educational, social and health services.

17. The government, in its efforts to broaden the base of prosperous living in the country, adopted a number of social policies - both implicit and explicit. They were designed to allow the greatest possible number of citizens to share in the benefits of the country's new source of wealth. It therefore expanded employment in its various departments, paid extremely generous prices for private land and greatly increased development spending. Besides, the government provided free educational and medical facilities for the whole population and disbursed social aid to those in need. At the same time it adopted an open-door policy towards expatriates, especially Arabs, who came in response to the job opportunities made available by all the development projects in the public and private sectors.

18. There were few trained Kuwaitis able to meet the manpower requirements of the economic expansion in the country with its ensuing affluence and prosperity. A state of affairs has thus come about that to this day is quite unique. It is characterized by the presence of sizeable expatriate communities representing together some 53% of the total population and manning 70% of the labour force. They have especially marked majority presence in the educational, health, engineering and administrative services as well as in the higher advisory posts.

19. In 1952 the government established a Development Board

to co-ordinate construction activity in the country; especially for public utilities. The Board consisted of the Directors-General of most government departments as well as the Director of the Municipality. Meetings of the Board were attended when necessary by the advisory and technical staff of the departments of Finance, Public Works and Electricity. It continued to function in this form until late 1960, when its membership was modified to include six representatives from the private sector. On the eve of constitutional changes in 1962 the Development Board was dissolved and replaced by the present Planning Board.

20. During its life, the Development Board was responsible for the evalution and approval of development projects, the appointment of consultants and the supervision and implementation of projects. The actual execution of projects however, remained the responsibility of the departments concerned. Moreover, the Board's initial responsibility of approving and distributing plots of land for building purposes in the new residential areas was handed over to the Municipal Council.

There is hence some truth in the saying that the Development Board was the herald of the present Planning Board. Indeed, in 1952 it devised a programme of development projects, to the cost of K.D. 91.5 million, and planned it for the period 1952/53 - 1956/57. The programme was intended to be a simple, flexible and unbinding framework to act as guideline in the preparation of the annual Development Budgets. Implementation fell short of expectation, however. It did so because of both the absence of binding legal support and the delay in preparing project studies and cost estimates. The more significant projects approved by the Development Board included one to build 2,000 houses of the lower income group type, and several for schools, hospitals, dispensaries and mosques in various parts of the country, a road-network, a port (Shuwaikh), an abattoir, a new airport, a sea-front scheme and an experimental agricultural farm.

21. A new scheme for planning and extending the City of Kuwait was prepared and adopted in 1954. It remains to this day the bluepirnt in fulfillment of which huge sums of money were and still are spent on buying land and old houses from citizens. Such sums were either spent on consumption or domestic investment, with most of the latter going to residential buildings. An appreciable part, however, was chanelled abroad. Nevertheless, domestic expenditures were so large that they provided enough purchasing power to help give momentum to the various sectors of the economy.

22. The first systematic general budget was prepared in 1956. Ever since, development expenditures have been on the increase. Actually they rose from K.D. 16.7 million in 1956 to K.D. 47 million in the fiscal year of 65/66, with a total actual expenditure of K.D. 345 million for the period as whole.

23. It might be appropriate here to elaborate on some of the more significant physical achievements of the State of Kuwait

in the economic and social spheres:

a) Imports increased from K.D. 29.9 million in 1954 to K.D. 135 million in 1965.

b) 176 government schools and 32 private schools have been built. The school-going population in the academic year 65/66 numbered 102,134 students, 92,217 of whom attended government schools. The teaching staff in government and private schools was, respectively, 4688 and 394.. The educational services provided by the government include free meals, text-books, ctothing, medical treatment and transportation. Public expenditure on education in 1965 amounted to K.D. 35 per capita.

c) In 1949 there was one doctor for every 25,000 inhabitants. This proportion was reduced in 1965 to one doctor for every 768 inhabitants. The overall picture for medical facilities at the end of 1965 was as follows: 8 hospitals comprising 3272 beds, 2 sanatoria, 37 dispensaries and health centres, 148 school dispensaries and 9 centres for preventive medicine. Total expenditure on medical services in 1965 was about K.D. 24 per capita.

d) The Total area of roads paved during the period 1957-1965 was close to 8.5 million square metres.

e) A number of electric power stations have been built and an expansive network for distribution and street lighting has been laid down. Installed capacity was increased from

30,000 kwh in 1956 to 370,000 kwh in 1965.

f) The dificiency in the country's fresh water requirements has been overcome through the desalination of sea-water in a modern distillation plant. It is the largest of its type in the world. The plant's capacity is 8 million gallons per day and is at present being expanded to produce a further 4 mililon g.p.d. This is over and above the 18 million g.p.d. of subterranean brackish water from the Sulaibiyah fields and sweet water from the Rawdatain field which has an estimated output of 5 million g.p.d. The water from Rawdatain has been drawn through pipes to Kuwait since 1962. Furthermore, the Kuwait Oil Co. operates a distillation plant with a capacity of 1.7 million g.p.d. Finally, a new distillation plant at Shuaiba has been built by the government; and at present it has production capacity of 3 million g.p.d.

g) By the end of 1965 the government had completed the following constructions: a number of government buildings for Ministries and the Municipality, several neighbourhood centres, a new abattoir, several commercial centres and 7,000 houses for lower income groups.

h) A great many modern commercial buildings, blocks of flats and private houses have been built.

i) A group of industries supplying the building and construction sector has been created. It includes the following industries: sandlime bricks, cement products, metal windows, water tanks, metal cisterns, sheet metal and wrought iron, asbestos pipes, wooden windows and doors, tiles, marble (cutting and polishing). Moreover, the country has witnessed the establishment of a large number of workshops for the repair and maintenance of automobiles, machinery and electrical appliances. The government has, naturally, an interest in increasing the number of industries in the country. It has therefore engaged several consultant firms to undertake an industrial survey to report on the state of industry in the country and evaluate the feasibility of various types of industry. In the light of reports submitted by those consultants the Industrial Development Committee is, at present, considering the establishment of a number of industries.

j) A preliminary geological survey was undertaken in 1964 to identify the natural resources of the country.

24. During the early part of 1961, the country underwent radical constitutional, economic and administrative developments. The political aspect of these developments obtained emphasis in the termination of the 1889 treaty with the United Kingdom. This action removed the last traces of British protection. Thus the State of Kuwait began to take full responsibility for the discharge of its external affairs. Further manifestations of sovereignty soon followed when Kuwait joined the Arab League and the United Nations with their various Agencies and Organizations and established diplomatic relations with other countries.

25. Internal developments culminated with the election of a

Constituent Assembly and the framing of the country's Constitution (passed by the Assembly in the autumn of 1962). The first National Assembty was elected in January 1963.

26. One of the most significant developments was the establishment of the Kuwait Fund for Arab Economic Development in December 1961. It provided capital for economically viable projects in the Arab countries. The Fund was originally established with a capital of K.D. 50 million. This was later increased in 1963 to K.D. 100 million and to K.D. 200 million in June 1966. In addition, the Fund has the right to raise additional funds by issuing bonds of upto twice its capital and reserves.

In addition to the loans provided by the Fund which totalled some K.D. 51.950 million by the end of December 1966; the government has granted loans from the State's General Reserves to help a number of Arab countries overcome their economic difficulties. The total of such loans as of the end of March 1967 was K.D. 119 million

27. The most significant economic development that marked the close of the decade 1952 - 1961, and which continues to the present day, is the decline of the construction boom which characterized the decade as a whole. The accelerating drive of the fifties could not be sustained after the completion of most of the public and private development projects. Nevertheless it must be borne in mind that there still exists great scope for the construction of large numbers of schools and roads, and of

several thousand residential units, as well as for the expansion of public utilities and services. Nevertheless the investments involved in such development projects will continue to be exceeded by national savings seeking investment outlets. The basic problem here lies in the narrowness of such profitable domestic investment outlets, in view of the retarded growth of the industrial sector on the one hand and the impracticability of investments in large scale agricultural schemes, on the other.

28. These economic developments have accompanying requirements; they are to maintain previous achievements, to ensure the continuity of a reasonable degree of economic activity, to acquire a better use and distribution of resources and to ensure a fairer distribution of income. In addition the legal institutional and organizational changes are all involved. These requirements all impose the need to view the forthcoming period - the post-boom period - in the context of integrated planning. Indeed, the need for this type of planning was clearly appreciated by the higher authorities and by informed public opinion. This caused the government to establish by an Amiri Decree, the present Planning Board, in August 1962. Among the Board's more important responsibilities are: to lay down long-range development objectives, to create policies conducive to such objectives, to prepare an integrated and comprehensive development plan for the mobilization and allocation of resources, to construct an annual development programme within the farmework of the Five-Year Plan, to follow-up the progress

of development programmes and evaluate their performance and, finally, to collect social and economic data relevant to the design and modification of the above and the supply of data of common benefit to government departments and private sector establishments.

III. Consolidation of Past Achievements and Future Outlook

29. The establishment of the Planning Board was, in itself, sufficient evidence to the realization that the country had reached a new stage in its modern history; a stage characterized by the need for integrated scientific planning. The period 1962/63 - 1965/66 can be considered as a transitional stage. Emphasis passed from the construction boom, when advances were made in all social and economic fields without accompanying firm controls, to a stability in the pace of economic activity and the return to a more normal pattern of growth. Moreover, during this time the weaknesses of the economy emerged, together with an increase in social and investment problems. Those had been overshadowed during the boom period but now clearly require urgent and fundamental solution. Consequently, this transitional stage provides the climate for a new period in which Kuwaiti society will be able to consolidate its past achievements and overcome a number of its weaknesses. It will also be able to organize its productive activity within the framework of integrated and coordinated economic and social planning.

This consolidation of past achievements includes the need primarily to complete the economic and social infra-structure of the country. It is also necessary to create an atmosphere that will encourage an entrepreneurial class to emerge in the private sector. Such a class would invest its potential in developing the various productive sectors of the economy.

30. It must be admitted here that many of the past achievements were accompanied by undesirable or unexpected developments, since the country was taken unprepared by the speed of events. Faced with such an onslaught it had been impossible to guard adequately against them. For example, educational and medical services were expanded without thinking about a new policy that would govern their quality and scope. Similarly, the civil service became unavoidably inflated during the boom period. The country's economic spirit was clearly one of 'laissez-faire' which did not consider the unbalancing effect of such free development on the structure of the economy. It was felt that there had been no search for the optimum state of equilibrium and diversification in economic activity. Moreover, the rapid rate of development in the country created a soaring demand for various skills of foreign labour. As a result the population exploded. Under such circumstances it was impossible to call a halt and formulate a population policy to suit the country's political and economic interests.

The consolidation of past achievements, in fact, means the expression of a desire and a determination to exploit and expand the progress achieved so far. It also indicates the intention to use such a stage of development as a launching platform for the Five-Year Development Plan. Such a platform would derive its strength from the indigenous and acquired dynamism of the economy and society as well as from reinforcing elements effected during the oil era. However, before establishing firm foundations, as in a building, it is necessary to remove all forms of obstacle that might obstruct the work. In other words an essential condition is that all possible weakpoints in the society and economy be eliminated.

31. The first point of strength that arises for consideration is the natural disposition of the Kuwaiti people. This disposition is combined with elements of skills, dynamism and the capacity for rapid adaptation and development; all of which have been acquired and accumulated through past experience. The best example of these qualities was shown when the Kuwaitis turned from one form of economic activity to another when the former failed. Another example is their quick adaptation to the oil era and its implications of domestic changes in housing, food and work as well as in the system and institutions of government and the overall environment.

Another point of strength is the abundance of the oil wealth itself. The extent of this wealth and of the income it generates are vast. So much so that Kuwait is faced not with the problems of securing the necessary capital to finance domestic investments (as in most developing countries) but rather with the problem of finding enough domestic investment outlets to absorb most or all of the national capital. There is another positive aspect of the oil wealth; it enables Kuwait to contribute generously through the Kuwait Fund for Arab Economic Development towards the development of sister Arab countries. It thus bears a far greater share of the national Arab obligations than might be expected from the size of Kuwaiti population.

A further point of strength is Kuwait's ability to import a great many foreign labourers with varying skills that are suitable for the country's needs. This foreign labour force bore the burden of Kuwait's development. As a result it spared the country the need to wait several decades for its own labour-force to be trained to accomplish its own development.

A final advantage is that most of Kuwait's infra-structure was built during a relatively short period. The country was thereby able to transform its economy from a slow moving traditional economy to a well-equipped and fast growing modern one while the population was enjoying a high standard of living and of public services.

32. In spite of the above points of strength, the structure of Kuwaiti economy and society suffer from a number of weaknesses. First of all there exists the danger of an overwhelming dependence upon one resource - oil and natural gas - specially since it is managed in its various stages of transformation and transportation by a foreign sector. This sector is, moreover, characterized by a high degree of technology and capital as

well as independence of decision.

The State has provided free, or heavily subsidised, the social and public utility services of Kuwait. Yet there has been an absence of that socio-economic planning and control which would have harnessed and guided the boom period. This absence has led eventually to the creation of a wide gap between the higher and lower incomes in the country. It is worth noting, however, that in absolute terms the lower income groups of the country are not so poor as they are in other developing countries. This state of affairs understandably led to the demand for quick reform. The social and economic structure of the country must be freed from all faults that may hinder its future growth potential or even undermine its efforts to maintain the present rate of growth.

The gravity of the foreign trade situation at hand deserves some emphasis. Huge financial resources have found their way abroad to pay for imports, while domestic exports- other than oil - remain drastically low. With this "leakage" of income and resources the Kuwaiti economy would become recessionary were it not for the oil revenues. These patch up the gap created by such a leakage year-in and yet-out. Similarly, they maintain the growth rate at a high level. It is necessary, to try to create, in the long run, a more favourable balance in the available resources account and in the balance of payments account. This should be done by raising domestic production in order to alleviate those recessionary forces which characterize the non-oil sectors of the Kuwaiti economy. When this is achieved the country will have a more healthy export trade, and will be better able to meet part of its domestic demand for products.

Other characteristic flows are the higher costs of physical investments, and the markedly higher costs of providing public services, compared with similar costs in neighbouring countries.

IV. Launching Stage - Base Year 1966/67

33. The foregoing paragraphs expose the highlights of the economic, social and institutional state of affairs that prevailed during the last decade. Moreover they illustrate the various developments which raised the Kuwaiti economy to its existing economic and social levels.

The statistical account of the economic and social conditions prevailing in the Base-Year 1966/67, is provided by information gained from the studies and research work undertaken by the technical departments of the Planning Board, and by other departments and establishments in the public and private sectors. Most of these studies deal with the preparation of preliminary estimates of national acounts during the Base Year. That year is the base to which every future change in the various sectors of the economy and the overall rates of growth and development will be related. It will therefore act as the norm with which to compare all developments in economic activity in the Plan years.

34. The period between the beginning of 1962 and the beginning of 1965 was characterized, to some extent, by a sort of economic recession, or by what was then referred to as **economic stagnation.** This sluggishness of economic expansion came as a reaction to the abnormilly rapid development which took place during the boom period 1952-1961. The economy's recovery with the opening of the fiscal year 1965/66 has continued into the Base Year of the First Five Year Plan, i.e. fiscal year 1966/67. The liberal financial policy which the State adopted has had great effect in stimulating economic activity. The positive response of the private sector to this policy led to the accomplishment of a large number of investment projects in the public, private and joint sectors.

The following is a synopsis of the statistical account of the economic conditions prevailing in the Base Year 1966/67 as revealed by the analysis of figures relating to national accounts, population and labour force.

A) The Composition of the Gross Domestic Product

35. The GDP for the Base Year has been estimated at K.D. 804 million at market prices. This is made up from the value of all final goods and services produced within the geographical boundaries of the State of Kuwait.

Table (1) describes the composition of the GDP by industrial origin. It also gives the relative contribution of each sector. The table indicates that the "Oil and natural gas and other mining and quarrying" sector was alone responsible for the generation of 61% of the G D P in 1966/67. This figure clearly emphasises the extent of Kuwait's dependence on this type of economic activity. The manufacturing sectors as a whole (including oil and natural gas) are shown as being responsible for 72% of the G D P while the services sectors account for the remaining 28 per cent.

Table (1)

Industrial Origin of Gross Domestic Product in the Base Year 1966/67

(In Millions K.D. at Base Year Prices)

Industrial Origin	Value	Percentage
Agriculture and livestock production	1	0.1
Fisheries	3	0.4
Oil & natural gas, and other mining and quarrying	489	61.0
Manufacturing industry	29	3.6
Building and construction	38	4.7
Electricity, water and gas	18	2.3
Transportation, storage and communication	22	2.8
Wholesale and retail trade	64	8.0
Financial services	12	1.5
Real estate	38	4.7
Public administration and defence	46	5.7
Miscellaneous *	41	5.1
G D P at factor cost	801	100.0
Net indirect taxes and subsidies	3	—
G D P at market prices	804	—

* These include education, health, recreation, domestic services, hotels and restaurants, laundries, hair-dressers and other personnal services, religious organizations, welfare institutions, legal services, etc.

B) The Gross National Product

36. The G N P is the value of the product generated by the employment of factors of production resident within the boundaries of the State of Kuwait. It is less than the G D P by the amount of the net transactions with the rest of the world. Table (2) cites the net value of such transactions at K.D. 200 million and thus puts the value of the G N P at K.D. 601 million calculated at factor cost.

If the net value of indirect taxes and subsidies is added to the value of the G N P at factor cost, the result will be the value of the G N P at market prices. Net indirect taxes in the Base Year were estimated at around K.D. 3 million. The G N P at market prices would then be K.D. 604 million.

Table (2)

Estimated Gross National Product for the Base Year 1966/1967

(In Millions K.D. at Base Year Prices)

	Gross Domestic Product at factor cost		**801**
	Factor income transfers by oil companies	-250	
	Income on govt. foreign assets*	+ 27	
	Income on private & joint sector foreign assets	+ 13	
Less	Income on commerc. banks' foreign assets	+ 11	
	Other factor income transfers to the rest of the world	- 1	
	Net factor income payments to the rest of the world		-200
	Gross National Product at market prices		601
	Net indirect taxes and subsidies		+ 3
	Gross National Product at factor cost		604

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* This includes income on foreign assets of the Currency Board and the Kuwait Fund for Arab Economic Development, which amounts to around K.D. 4 million, in addition to income from Reserves invested abroad.

37. Table (3) indicates the uses of the Gross National Product in the Base Year. National consumption expenditure is estimated at K.D. 330 million, of which K.D. 210 million represents expenditure on private consumption. Fixed capital formation is estimated at K.D. 137 million, of which K.D. 64 million is in the public sector and K.D. 73 million in both the private and joint sectors. The increase in stocks is estimated at K.D. 13 million. Thus the total expenditure on consumption and gross domestic capital formation is K.D. 480 million. If the balance of payments' surplus (which represents the net trade account and the net factor income payments to the rest of the world), i.e. K.D. 124 million, is added to the total expenditure on consumption and gross domestic capital formation, the result will be the value of Gross National Product which is K.D. 604 million.

These estimates indicate the distinctive characteristics of the Kuwaiti economy. Of these, the most important is the high rate of fixed capital formation - before the implementation of the present plan. This is estimated at around 23% and considered relatively high when compared with target rates in the economic development plans of other developing countries.

Table (3)

Gross National Product and its uses in the Base Year 1966 1967

(In Millions K.D. at Base Year Prices)

	Gross National Product		**604**
USES	Total consumption expenditure		330
	Public consumption expenditure	120	
	Private consumption expenditure	210	
	Gross fixed capital formation		136
	Public sector	63	
	Private sector	73	
	Change in stocks		+ 13
	Balance of payments surplus		+124
	Total Uses		**604**

C) The National Income

38. The G N P at factor cost represents the total income of all factors of production resulting from their participation in all productive activities in the economy. It also allows for the depreciation of fixed capital made use of in production. Capital depreciation in the Base Year has been estimated at K.D. 80 million. In reality this is an informed guess based on the assumptions that fixed capital depreciates in Kuwait at the rate of 10% per annum, and that the value of net national fixed assets in the Base Year was in the neighourhood of K.D. 800 million. If depreciation is deducted from the estimated G N P

at factor cost (K.D. 601 million) the balance (K.D. 521 million) will represent the Net National Product or National Income in the Base Year.

The estimated population of Kuwait in the Base Year is 490,255 persons. Then the country's per capita income in the same year comes to K.D. 1063. As per capita income is a basic economic indicator, Kuwait compares very favourably not only with developing countries but also with most advanced countries.

D) Government and Private Income

39. Table (4) compares the sources and uses of general government revenues in the Base Year. Total revenues are estimated at K.D. 265 million; of these K.D. 232 million are contributed by direct taxes, and K.D. 3 million by indirect taxation. Returns on the investment of the General Reserve Funds are given at K.D. 26 million; of these, K.D. 23 million represents the income from that part of the Reserve Fund which is invested abroad, and K.D. 3 million represent dividends from government participation in joint sector enterprises at home. Finally, independent organizations are shown as contributing a net income of K.D. 4 million. These organizations include the Kuwait Fund for Arab Economic Development, the Currency Board, the Credit and Savings Bank, the Shuaiba Industrial Development Board and the Kuwait Airways Corporation.

On the expenditure side, general government consumption expenditure is estimated at K.D. 120 million. This represents the salary and wage bill of government, purchases of goods and the expense of providing free public educational, medical, religious and judicial services, as well as security and defence costs. Government transfer payments are estimated at K.D. 22 million, of which K.D. 8 million is chanelled to individuals at home and K.D. 13 million to the outside world.

Government savings in the Base Year are estimated at K.D. 123 million. Of this sum K.D. 93 million represents the Budget surplus and K.D. 26 million the earnings of the General Reserve Fund. This latter is automatically ploughed back into the General Reserve Fund as an augmenting factor, in accordance with the rulings of the State Financial Regulations. Finally, revenues from independent organizations, estimated at K.D. 4 million are considered as savings since they are added to the reserves of such organizations.

Table (4)

Sources and Uses of Government Revenues in the Base Year 1966/1967

(In Millions K.D. at Base Year Prices)

Sources		
Direct taxes (oil revenues)		232
Indirect taxes		3
Returns on the investments of the General Reserve Fund		26
Returns on foreign investments	23	
Returns on domestic investments	3	
Revenues of independent organizations		4
Total sources		265
Uses		
Consumption expenditure		120
Salaries & wages	80	
Purchase of goods & services	40	
Transfer payments		22
To abroad	14	
To individuals	8	
Savings		123
Budget surplus	93	
Reinvestment of returns on general reserve investments	26	
Reinvestment of revenues of independent organizations	4	
Total Uses		265

40. Table (5) provides details of the sources and uses of income in the private sector during the Base Year. It indicates that the returns to factors of production are estimated at K.D. 339 million. To this are added the current transfer payments received by individuals from government, estimated at some K.D. 8 million. This brings the total income of the private sector to about K.D. 347 million.

Expenditure in the private sector on final consumption is estimated at about K.D. 210 million in the Base Year. Transfers to the rest of the world by resident workers are estimated at K.D. 42 million during the same year. The differences between the sum of these two items and the total income of the private sector represents the savings of the private sector, i.e. K.D. 95 million in the Base Year.

Table (5)

Sources and Uses of Private Sector Income in the Base Year 1966/1967

(In Millions K.D. at Base Year Prices)

Sources	
Returns to factors of production	339
Transfer payments from the government to the private sector	8
Total sources	347
Uses	
Consumption expenditure	210
Transfer payments to the rest of the world	42
Savings	95
Total uses	347

E) The Savings and Investment Account

41. The savings and investment account explains how the society makes use of its accumulated savings during a given year. Table (6) shows that total savings in the Base Year amounted to some K.D. 218 million. This sum represents the accumulated savings of both the public and private sectors after allowing for consumption expenditures and transfer payments. About K.D. 137 million of total savings were used to finance fixed capital formation in the domestic economy, of this sum the public sector contributed K.D. 64 million. An additional sum of K.D. 13 million was invested in inventory stock. The saving balance of K.D. 68 million was invested abroad.

Table (6)

Savings and Investment Account for the Base Year 1966 1967

(In Millions K.D. at Base Year Prices)

Savings			
Public Sector	123		
Private Sector	95		
Total Saving			218
Investment			
Fixed domestic capital formation		137	
Public Sector	64		
Private Sector	73		
Change in stocks		+ 13	
Investment abroad		+ 68	
Total Investment			218

F) The Capital Transactions Account

42. Tables (7) and (8) summarize the capital transactions account for each of the public and private sectors. The joint sector account is included in that of the private sector. Table (7) also shows that the total capital sources of the public sector in the Base Year contributed the sum of K.D. 185 million, of which savings as such were responsible for K.D. 123 million while arrear payments to the government by oil companies contributed K.D. 60 million. The remaining K.D. 2 million represents the proceeds from the sale of state land and property. Of these capital revenues about K.D. 64 million went to finance fixed capital formation in the public sector, and K.D. 95 million were used to buy private property. Net government foreign investments in total were K.D. 11 million and net increase in government domestic financial assets were approximately K.D. 15 million.

Table (7)

Capital Transactions Account of the Public Sector for the Base Year 1966/1967

(In Millions K.D. at Base Year Prices)

Sources	
Total saving	123
Arrear payments by the oil companies	60
Proceeds of the sale of State lands and property	2
Total sources	185
Uses	
Investment	64
Land acquisition	95
Net investment abroad	+ 11
Net increase in government domestic financial assets	+ 15
Total uses	185

43. Table (8) details the capital transactions account of the private and joint sectors in the Base Year. It indicates that, of the total capital sources of K.D. 205 million, some K.D. 95 million came from savings by both the private and joint sectors, while another K.D. 95 million was paid to the private sector by the government in compensation for land and property acquisition. The government "Credit & Savings Bank" contributed an additional sum of K.D. 8 million in the form of loans to the private sector. Government also contributed some K.D. 4 million in the form of equity participation in joint sector enterprises and a further sum of K.D. 3 million in deposits with local commercial banks.

The private and joint sectors used K.D. 73 million of their capital resources to pay for their share of gross domestic fixed capital formation. They also spent K.D. 13 million on building up their inventory stocks. The sum of K.D. 60 million went to the Government in the form of arrear payments from the oil companies. The private sector also paid K.D. 2 million for the purchase of state lands. Finally, the balance of K.D. 57 million was spent abroad by the private and joint sectors on their foreign investments.

Table (8)

Capital Transactions Account of the Private and Joint Sectors for the Base Year 1966 1967

(In Millions K.D. at Base Year Prices)

Sources	
Saving	95
Government compensation for land and property acquisition	95
Credit & Savings Bank loans	8
Government participation in the joint sector	4
Government deposits with local banks	3
Total sources	205
Uses	
Gross domestic fixed capital formation	73
Increase in commodity stocks	13
Gross domestic capital formation	86
Arrear payments to government by oil	
Investment abroad	57
Purchase of State lands	2
Total uses	205

G) Population and Labour Force

44. According to the results of the Official Census conducted in April 1965, the total population of Kuwait numbered 467,339 persons. Of this total 220,059 persons, or about 47%, were Kuwaiti nationals; while the remaining 247,280 persons, or 53% were foreign expatriates. Such population would generate a potential of manpower of about 302,844 strong or about 64.8% of the population. But Kuwait's actual labour force stood at 184,287 persons only, or about 39.4% of the total population.

It included something like 2.7% unemployed persons, thus bringing the active labour force to 179,284 persons; of whom 40,166 persons or 23% were Kuwaiti nationals. This put the participation ratio of Kuwaiti workers to Kuwaiti population in the neighbourhood of 18.2%.

In 1965 the distribution of the active labour force among the various economic sectors was as shown in the following Table.

Table (9)

Distribution of the Actively Employed Working Population by Type of Economic Activity in 1965*

Type of economic activity	No. of Workers			Percentage		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
Agriculture & Fishing	573	2273	2846	1.4	1.6	1.6
Mining & Quarrying	1349	5643	6992	3.3	4.1	3.9
Manufactur. Industry	1825	15254	17079	4.6	11.0	9.5
Build. & Construction	1264	27584	28848	3.2	19.8	16.1
Electricity & Water	1645	5346	6991	4.0	3.8	3.9
Commerce	5129	17916	23045	12.8	12.9	12.9
Transport, Storage & Communication	2613	7412	10025	6.5	5.3	5.6
Miscellan. services	25768	57690	83458	64.2	41.5	46.5
Total	40166	139118	179284	100.0	100.0	100.0

*Population Census figures, except in the two cases of Agriculture and fishing and Manufacturing industry, where the Population Census figures were modified by the more relevant 1965 Establishments Census figures.

45. An analysis of the figures in Table (9) reveals that most Kuwaiti workers are concentrated in the various services such as Commerce, Transport, storage and communication and Miscellaneous services. In fact 83.5% of the Kuwaiti active labour force was so employed, as opposed to only 59.7% of the non-Kuwaiti labour force.

46. The Central Statistical Office estimates that Kuwait's labour force in the Base Year was 185,587 strong and that the population was 490,255 persons. Thus 37.8% of the population in the Base Year was actively employed. The distribution of the labour force amongst the various economic sectors in the Base Year is given in Table (10) below.

Table (10)

Distribution of the Actively Employed Working Population by Type of Economic Activity in 1966

Economic Activity	Estimated No. of Workers*	Percentage of Total
Agriculture & Fishing	3146	1.7
Mining & Quarrying	6992	3.7
Manufacturing Industry	17933	9.7
Building & Construction	30867	16.6
Electricity & Water	7257	3.9
Commerce	23045	12.4
Transport, Storage and Communication	11128	6.0
Miscellaneous Services	85219	46.0
Total	185587	100.0

* The available data does not show separate numbers for Kuwaitis and non Kuwaitis.

47. A comparison between the figures appearing in Table (10) and those in Table (9) will quickly reveal that, in spite of the increase of the total labour force by 6303 persons in 1966, the distribution by type of economic activity did not appreciably change.

CHAPTER THREE

CHAPTER THREE

OBJECTIVES OF THE FIRST FIVE-YEAR PLAN

I. Basic Considerations in the formulation of the Objectives of the First Five-Year Plan.

1. In working out the objectives of the First Five Year-Plan a number of basic factors inspired the final conclusions. The following were the more significant of these factors:

a) The objectives of the First Five-Year Plan should suit, reflect and depend upon the general long-term social and economic objectives of development in the State of Kuwait. This, however, should not imply that the Plan will attempt to achieve equal amounts of every one of the overall long-term objectives. Rather, it should mean that the objectives of the Plan will be so determined as to coincide with the execution of the initial stage of the overall long-term objectives of development. This will be done in the light of the prevailing economic, social and institutional conditions. The degree of emphasis on some of the objectives of later five-year plans, may change. This should not be considered contradictory to the condition that these objectives should be in line with the over-all long-term objectives.

b) The establishment of the objectives of the First Five-Year Plan should be related to economic realism and take into account the points of strength and weakness in the society. In other words, the aims of the First Five-Year Plan should be realistic, rational and free from exaggeration.

c) The emphasis in the First Five-Year Plan should be on those objectives which will pave the way for the balanced development process which is to end in achieving the long-term objectives. However, although certain objectives in the First Five-Year Plan are emphasised, the other objectives should not be neglected. The aim is to ensure priority for those objectives which together form the real cornerstones of the development process. This, irrespective of the size of the investment requierd for their implementation. The adoption of certain policies and measures may be more conducive to development than the mere allocation of investment for certain physical projects.

(iv) The objectives stated in the First Five-Year Plan, and subsequent Plans, should be regarded as forming an associated and integrated unit. Completion of all physical investments envisaged in the Investment Programme may not necessarily mean that the Five-Year Plan, as a whole, has been totally successful. This would only be true if efforts are made to carry out the other objectives; especially those relating to organization and procedure.

2. The objectives of the First Five-Year Plan will not be arranged in an order that will necessarily reflect the relative significance of each objective's size. The objectives in fact complement each other and are closely interrelated. No attempt will be made here to explain these objectives in minute quantitative terms since such details will be found in the Investment Programme and in the sectoral plans.

3. In spite of the integration and interrelation of the Plan's objectives, the greatest emphasis during the Plan period will relate to manpower in the Kuwaiti society. The objectives here are to raise productivity, increase the participation of the

Kuwaitis in the total labour force, diversify skills and produce specialization among the Kuwaiti labour force. Briefly this means an attempt to make the members of the Kuwaiti labour *force more efficient, more productive and more capable of realizing* the projections and expectations of the Plan. The paucity and scarcity of natural resources other than oil, the small population, the narrow field of domestic investment, and other limiting factors in the economy, combine to restrict the growth and expansion of the economy. One such principal factor would not only overcome and compensate for the negative factors but would also bring about increasing economic effectiveness. This is the labour force, provided its quality were improved and its efficiency and productivity raised. Therefore, emphasis on the development of human resources is an essential condition for the achievement of other objectives. The development of human resources, apart from being an important way to develop economic resources and institutions, is also in itself an end worthy of attention and effort.

II. The Objectives of the First Five-Year Plan

4. The proposed objectives of the Plan are summarised below :

a) Achieving a cummulative increase of 37 per cent in the value of the Gross Domestic Product during the Plan period. This represents an average annual rate of economic growth of about 6.5%.
   In absolute terms the Gross Domestic Product at market prices will increase from K.D. 804 million in the Base Year 1966/67 to K.D. 1102 million at the end of the fifth year of the Plan; thus achieving an increase of K.D. 298 million.

b) Preparing the national economy for the job of diversifying the sources of national income. This will reduce the relative domination of oil over economic activity of Kuwaiti society.

c) Developing Kuwaiti manpower by efforts to create increasingly efficient specialized and skilled capabilities. The Plan intends to expand and improve technical and vocational training. It will also extend public health and medical services in order to reach a proper level of preventive and medical care. It will, again, expand and improve the quality of educational services. Compulsory education is advised in the primary and intermediate stages, and the Plan intends to maintain yet diversify fields of university education that are demanded by economic and social development.

d) Completing the basic infrastructure projects. Without their completion it is impossible to accelerate economic development, achieve external economies or lower production costs. Such projects include all types of communication facilities, power, water, housing, medical care and others of a similar nature.

e) Seeking to ensure a social balance through the achievement of the practice of equitable distribution of national income. The Plan hopes to narrow the gap between high and low incomes without retarding economic productivity in the society or weakening economic incentives. Such incentives are fundamental to the progress and improvement of the national economy.

f) Trying to ensure a measure of geographic equilibrium in the general development of the country. In this way every citizen may benefit from public facilities and job opportunities.

g) Strengthening economic ties with the Arab States and sustaining the efforts aimed at the most effective economic co-ordination between them.

5. It is notable that the average rate of annual growth envi-

saged by the Plan is somewhat high compared with that of most of the advanced and developing countries of the world. At the same time, however, there might be cause for surprise that the Plan's expectations should not be more optimistic in view of the abundant production in the oil sector and the huge and increasing revenues accruing from oil export. This sector, indeed, contributed 61% of the Gross Domestic Product in the Base Year 1966/67. The stated expectations are explained by the fact that they reflect, to a large extent, the evolution of economic growth in Kuwait during the last few years. Moreover the national economy does not at present enjoy enough large-scale growth possibilities to justify a general growth rate higher than the expected average of 6.5% per annum. Furthermore, the economic model suggested by the salient features of the Kuwaiti economy is one characterised by various obstacles. The most apparent of these are those affecting the industrial and agricultural sectors of the economy. In view of such obstacles to development, a rate of growth of 6.5% per annum appears quite reasonable.

6. Diversification of the economy is not a virtue in itself. If a country's economy is characterized by a relatively greater predominance of one sector over the remaining sectors it should not necessarily be regarded as a disturbing sign. This would be true only if the predominance involves certain risks or unless it has inherent long-term dangers which must be eliminated or compensated for. Hence, the Plan aims at preparing the national economy for diversification and broadening its base, not as a general theoretical principle but as a procedure associated with and derived from the prevailing conditions in Kuwait.

7. It is hoped that the implementation of the present Plan and subsequent plans will result in a reduction of the relative contribution of the oil sector to the National Product (despite

an increase in its absolute significance). This should be done by increasing the significance and contribution of the remaining sectors. Such a development is desirable because of the risks atttched to the continuing heavy dependence upon one sector of the economy. This is particularly true in the case of oil, a source which becomes gradually depleted over time. Moreover, it may in the long run meet with competition from new sources of energy that will reduce its significance as a primary source of energy.

8. To reach long-term objectives it will be necessary to prepare the national economy during the Plan period for diversification and for achieving more diversification in following plans. Successful diversification in the First Five-Year Plan calls for the expansion of the land, air and sea transport sectors. Emphasis is placed particularly upon large-and medium-sized ships and oil tankers, on airliners and on international highways connecting the country with Saudi Arabia in the South and the Mediterranean Coast in the West. Plans are made to extend the petrochemical industry and introduce other industries which study and research may find economically profitable. In addition, the Plan recommends attention to agriculture following the completion of the Water Scheme for bringing water from Iraq. Another aspect is the exploitation of any underground waters which current prospecting may discover. These water sources will permit land reclamation and preparation for profitable agriculture. The Plan also allows for the expansion of the fishing industry and animal husbandry. Furthermore, the Plan seeks to create new recreational services, besides extending and improving the existing ones.

9. Long term plans to transform Kuwait into an international financial centre have been taken into consideration. This calls for the development of an organized money market and the extension of its capacity to finance economic development and financial transactions abroad. These include banking, insurance and foreign trade. This trend towards a new activity for Kuwaiti capital and expertise is favoured by existing conditions in Kuwait. The more so since the country intends to develop Kuwait talents in the various fields of specialization and technical skills.

10. The Plan pays particular attention to the development of human resources and accords it very high priority. The end of all development plans is the spiritual and material progress of Man. He is the principal element in the development process. It is man who mobilizes & coordinates other factors of production.

The Plan aims at developing human resources by building up technical skills and scientific knowledge, by the spread of education, by developing the potential abilities of the population and raising their productive efficiency through planned education and training, and by raising the standards of health and culture of all. It will, of course, be necessary to suit particular talents to particular duties.

11. The Plan hopes to realise a fairer distribution of wealth and a higher standard of living, with equal opportunity for all, especially for poorer people. It must be pointed out, however, that the poor enjoy a standard of living higher then is familiar in other developing countries. This is so for two main reasons. First, the boom which characterized the Kuwaiti economy during the past decade, has benefitted all groups in society, although the degree of benefit has varied from one group to another. Second, the free and generous public medical and educational services help to raise the real incomes of lower-income groups.

Proper and suitable housing is one of the most vital factors in raising the spiritual and material standards of people. The Plan seeks, therefore, to build enough houses as may be necessary for the poorer citizens with repayment terms that they can afford. The Plan will also create jobs for everyone in the society suited to their qualifications and abilities. It is hoped that by making available training facilities, Kuwaiti workers will be able to raise their productive efficiency, increase their incomes and improve their standard of living.

12. There is the question of achieving greater equilibrium in the growth levels of the various parts of the country. This is one of the aspects of the general equilibrium referred to in the discussion of diversification of the economy. One can state outright that, as the population of Kuwait is still small and as it is distributed between the City of Kuwait, (which accounts for most of the total population), and a small number of towns and villages, it would not be very difficult to achieve the required geographical balance. The Plan will meet the needs of smaller towns and villages by rapid investment in schools, medical facilities, electricity and transport networks. Other similar social and economic investments will be made in order to equalise the levels of these infrastructures in the City of Kuwait and those in the rest of the country.

13. The Plan will encourage large investments to strengthen and expand the socio-economic infrastructure particularly in the public sector. This will widen and improve the general framework containing economic and social activities. The expansion and the improvements in mind include education, health, electricity and water supply, irrigation and land reclamation, communications (including airports and seaports), housing and government buildings, town planning and public utilities, religious, social and guidance services, public security and justice, research, higher education and technical training. Naturally, extravagance and ostentation should be avoided here. The expansion and improvements envisaged should combine all aspects of development. Thus, firstly the population may benefit from the facilities and services; secondly, the directly productive sectors may benefit from the infrastructures; and thirdly, the gestation period of productive projects may be reduced.

CHAPTER FOUR

CHAPTER FOUR

THE INVESTMENT PROGRAMME & EXPECTATIONS IN PRODUCTION, INCOME AND EMPLOYMENT

I. Basic Considerations in Calculating the Size of the Investment Programme

1. The size of the Plan's Investment Programme has been calculated in proportion to the national economy's absorptive capacity during the five years of the Plan. Although it is difficult to give a precise definition to the term "absorptive capacity", it can nevertheless be accepted as referring generally to all factors affecting the absorption of economic investment (financial investment excluded). For Kuwait, the more significant of these factors are: the absence of variety in natural resources, the small size of the properly trained labour force, the dearth of technical, organizational and entrepreneurial skills, the lack of efficiency of public administration and, in general, the unsuitability of the existing institutional framework for economic and social planning process.

2. Calculations of the size of the Investment Programme are inescapably associated with the investment intentions of both the public sector and private and joint (semi-public) sectors during the Plan period. The size of the public investment programme has been estimated following discussions with Mi-

nistries and other government departments regarding their projects during the Plan period. Likewise private and semi-public establishments were approached for their investment plans. In certain economic or social fields it was not possible to get detailed information. For these, estimates have been based on projections made for population growth, income increase, expansion of public services, growth of foreign trade and other similar socio-economic indicators.

3. Estimates of proposed investment during the Plan years have been made by assuming that Kuwaiti society will noticeably increase its productivity by the end of the Plan period. A more efficient labour force will be more able to expand the economy. Undoubtedly, increased efficiency - i.e. greater production from the same sources - can lead to a marked increase in the rate of growth. However, raising the standard of efficiency is not an easy job. It requires a high degree of education, training, organization and administration, as well as positive changes in psychological attitudes. But with determination and sound programmes it should not be impossible to achieve such a goal.

4. In calculating total investment in the Plan, cost estimates of the proposed projects in the various sectors have been based on prevailing prices in the Base Year. Any radical changes in the price level will, therefore, necessitate a revision of the cost estimates of the development programme and consequently an adjustment in the size of the proposed Investment Programme.

In fact, the annual plans will be based on periodic revision of the various cost estimates, and thus adjust the size of the Investment Programme to the prevailing costs of factors of production.

5. Moreover, the Investment Programme has been based on gross estimates, i.e. the investment estimated by the Plan includes not only new projects (these are considered additions to the existing fixed assets of the country) but also the estimated expenditure for the maintenance of existing assets. The gross investment estimates also include sums to be spent on replacing obsolete assets. For example, a new house which is built to replace a demolished one does not produce a net increase in the housing capacity of the country unless the new house provides more accommodation. The net addition, therefore, should be equal to the extra housing capacity.

6. The estimated annual investment spending is to be spelled out by the annual plans. This is because of the absence of accurate and adequate data on the phases of development of various projects and the costs of each phase. In addition, the calculation of annual investment should take into consideration the economic, financial and social conditions prevailing in that year. This will avoid economic bottlenecks and social problems. Thus, in order to produce a sound economic and social balance, it is necessary to prepare investment requirements for every Plan year based on the current economic and social conditions.

The progress made on various projects also needs to be taken into account.

7. One of the primary assumptions made in determining the size of the Plan's Investment Programme is that it should play its part in producing the required increase in the gross domestic product and, subsequently, in the national income. This means that its calculation has taken into account the projected rate of development during the Plan period. At the same time other approved objectives have been considered, particularly those relating to diversification of economic activities, achievement of a geographical, economic and social equilibrium, and development of various abilities within the society.

II. Size and Sectoral Distribution of the Investment Programme

8. In the light of the considerations mentioned earlier, the size of total national investment during the Plan period has been estimated at around K.D. 912 million. Of this, K.D. 507 million (i.e. around 55.6%) will be contributed by the public sector and K.D. 345 million (or approximately 37.8%) by the private sector. The balance of K.D. 60 million (or 6.6%) will be provided by the joint sector.

9. The total national investment has been distributed among the various economic sectors to suit their investment requirements. This distribution has taken into consideration firstly,

production criteria, secondly, the contribution of each sector to the gross domestic product and, thirdly, the projected targets of the Plan. The following table shows the distribution of total national investment among the various sectors during the Plan years.

Table (11)

Sectoral Distribution of Total National Investment

(In Millions K.D. at Base-Year Prices)

Economic Sector	National Sector			Total invest-ment in the Plan	Per-centage of the Total
	Public	Joint	Private		
Oil & natural gas	—	10.0	60.0	70.0	7.7
Industry	21.0	39.0	26.0	86.0	9.4
Agriculture & animal husbandry	5.0	—	3.0	8.0	0.9
Fisheries	—	—	4.0	4.0	0.4
Power (electricity & gas)	64.8	—	—	64.8	7.1
Water & irrigation	72.0	—	—	72.0	7.9
Transport & communications	90.2	8.0	54.0	152.2	16.7
Information & guidance	13.0	—	—	13.0	1.4
Research & training	7.0	—	2.0	9.0	1.0
Educational services	50.0	—	2.0	52.0	5.7
Social & religious services	17.0	—	1.0	18.0	2.0
Medical services	30.0	—	3.0	33.0	3.6
Housing & public buildings	75.0	2.0	100.0	177.0	19.4
Commerce, finance & tourism	6.0	1.0	15.0	22.0	2.4
Public utilities & municipal services	46.0	—	—	46.0	5.0
Security & judicial services	10.0	—	—	10.0	1.1
Changes in commodity stocks	—	—	75.0	75.0	8.2
Total National Investment	507.0	60.0	345.0	912.0	100.0

10. The above Table shows that around 61% of total investment will be spent on expanding the scope of commodity production. This production comprises oil and natural gas, industry, agriculture and animal husbandry, fishing, generation of electrical power, provision of water for domestic, industrial and irrigation purposes, construction of houses, public and commercial buildings and commodity stocks. The remaining investment, which forms about 39% of the total, goes to services - either productive or purely social.

11. The same Table also shows that the Housing and public buildings sector will account for the highest share of total national investment. The allocations in this sector amount to K.D. 177 million, i.e. around 19.4% of total national investment. This sector plays an important part in the development and expansion of other economic sectors. Demand for housing, whether of the type provided directly by the government or of the type built privately and encouraged by the government through real-estate loans, is still considerable. A rich country like Kuwait should meet this demand without delay. That housing projects should increase at the same rate as the growth in other sectors is an indispensable socio-economic need for any development plan in any country. In general, the housing process is inevitably associated with the development of construction activity. It is a well-known fact that unless the capacity for construction grows in parallel with housing and building needs, bottlenecks might occur in this sector and the construction rate might be

retarded. Since at present there is shortage of manpower in the building and construction field, it will be necessary in the future to depend to a large extent on mechanisation. This demands a heavy investment, and is reflected in the investment allocated to the Housing and public buildings sector.

12. Table (11) also shows that the Transport and communications sector has been allotted 16.7% of total national investment. A sum of K.D. 152 million has been allocated to this sector in view of the current and estimated demand for the services it provides. There is an increasing strain upon the capacity of the existing seaport, airport and roads as well as upon the capabilities of sea-land and air-transport and telecommunications media. Thus, expansion in this sector as a whole is of vital importance. It ensures, not only, meeting the estimated future needs, but also fulfills unsatisfied immediate demands. In addition, the diversification of economic activity depends, to a large extent, on the diversification and adequate expansion of the activities of the Transport and communications sector. They will thus meet the needs of future development projects in all economic sectors.

13. The investment requirements for various services have been calculated on the basis of expected demand during the next five years. It takes into account the existing shortages as well as the requirements of projects started in the pre-Plan era, which will be completed in the Plan period.

14. Investment in each of the direct production sectors, such as Oil and natural gas, Industry, Agriculture, Animal husbandry and Fisheries, has been calculated with their Plan objectives in mind. For instance, the investment in the Oil and natural gas sector has been estimated to yield an annual rate of 6 per cent increase in production. This investment includes exploration for new oil-fields on the mainland and off-shore and equipping new oil wells with the necessary machinery for the processes of production, gas injection and liquefaction.

The Industrial sector has been allotted K.D. 86 million or about 9.4% of total national investment. Since it is planned to diversify economic activities, this investment might seem rather low. However there are limits which cannot be crossed in a short period and these restrict investments to the volume set by the Plan. Industrialisation cannot occur in one move. Industrial possibilities usually appear in succession and by stages. They generally depend on the expansion of the industrial framework of the country, and on the availability of new markets for manufactured products. To some extent they require a specialized labour force with diverse skills. This cannot materialize quickly. So industrialization must take place at a pace at which the dependent factors become available.

The estimated investment in the Agriculture, animal husbandry and Fisheries sectors amounts to K.D. 12 million, equivalent approximately to 1.3% of total national investment. Once again the allocation seem rather low when compared to the desired expansion. The main reason is that possibilties of farming on a significant scale are still being examined. If adequate. supply of cheap water is not found, if no sizeable areas are proved arable or reclaimable, or if skilled manpower to practise farming is not available, the prospects of agricultural production remain uncertain. Thus the Plan does not anticipate much increase in agricultural production, but seeks to demarcate cultivable areas, discover the viable type of farming to be adopted, and carry out further research in dry-farming and hydroponics. At the same time, work will continue for increasing the supply of water from surface and underground sources (the Shatt-al-Arab water scheme, and Shaqaya and Qashaniya waters), and also through the desalination of sea water and making use of treated sewage water. These increases will not, however, become available before the end of the Plan period. Therefore any marked expansion in agriculture during the Plan years is unlikely. Nevertheless there will be a marked increase in production from animal farming and fishing. New poultry farms, dairies and cattle rearing farms, expanding fishing operations and using modern equipment and methods will no-doubt raise production and help diversify the economy.

15. The allocation of investments for various sectors does not necessarily reflect their relatively importance in the Plan. The Education, Training and research sectors, for example, receive only 6.7% of the total national investment. This might give an impression that education has low priority in the Plan. But in

fact it is impossible to consider the importance of any single sector in isolation from the others. It might include projects ranking high on the scale of priorities as well as other projects of lesser importance. The status of each project depends partially on the overall size of the development effort, particularly on the structure of the Investment Programme and finally on the quality of the project itself. Furthermore, the amount of investment in a sector does not necessarily reflect its importance. The sector might be the type which does not require substantial investment. Examples of these are the Research, Guidance and Training sectors. Again, large investments in the past might have reduced its needs during the Plan period, as with the Education and Health sectors. Again the expenditure needed for a sector might be only recurrent costs which do not appear in the Investment Programme but usually in Part I and Part II of the Public Budget. Actually, the real importance of the sectors dealing with Education, Training, Research and institutional organization far outweighs the allocations they receive in the Investment Programme.

16. The actual distribution of investment among the various projects included in each economic sector will be shown in detail in the Sectoral Plan. This will be prepared in the light of the general framework of the Five-Year Plan. However, the general trend for the distribution of sectoral investment may be seen from the following Table.

Table (12)

The Investment Programme of the First Five-Year Plan 1967/68 - 1971/72

(In Millions K.D. at Base-Year Prices)

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
1-Oil & natural gas						
Exploration, drilling & exploitation	Kuwait Nat. Pet. Co.,	—	10.0	—		
	Kuwait Oil Co., American Ind. Oil Co. (Aminoil), Arabian Oil Co. (Japan), Kuwait-Shell Pet. Dev. Co.	—	—	60.0		
Total Oil & natural gas		—	10.0	60.0	70.0	7.7
2-Industry						
a. Oil industry					29.7	3.2
Completion of Shuaiba Refinery	Kuwait Nat. Pet. Co.	—	10.0	—		
Expansion of chemical fertilizer plants	Kuwait Chem. Fertilizer Co.	—	—	7.7		
Desulphurization plant for Neutral Zone oil	Aminoil	—	12.0	—		

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
b. Other Industries					56.3	6.2
i-Shuaiba area projects	Shuaiba Indust. Dev. Board				30.6	3.8
Electricity projects,		8.0	—	—		
water distillation plants,		4.0	—	—		
port installations,		1.6	—	—		
cooling water plants,		0.1	—	—		
roads and sewage,		1.1	—	—		
misc. projects,		1.8	—	—		
dry dock.		—	14.0	—		
ii. Ind. projects					25.7	2.8
Expansion of the chlorine plant, asphalt plant & Govt. printing press.	Public Sector	4.4	—	—		
Cement, pipes, metalworks, prefabricated houses etc.	Joint Sector	—	3.0	—		
Household utensils electrical appliances, textiles, cosmetics, etc.	Private Sector	—	—	18.3		
Total Industry		21.0	39.0	26.0	86.0	9.4

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
3-Agriculture and animal husbandry						
Forestry development,	Public sector	2.9	—	—		
guidance units,	"	0.6	—	—		
animal husbandry dev.	"	0.3	—	—		
misc. agricultural projects,	"	1.2	—	—		
farms, poultry farms, and cattle rearing	Private sector	—	—	3.0		
Total Agric. and animal husbandry		5.0	—	3.0	8.0	0.9
4-Fisheries						
Development of the fishing industry	Private sector	—	—	4.0		
Total Fisheries		—	—	4.0	4.0	0.4
5-Electricity						
Electricity generation,	Public sector	24.6	—	—		
distribution networks,	"	39.2	—	—		
mechanical works,	"	1.0	—	—		
Total Electricity		64.8	—	—	64.8	7.1

Economic Sector	Executing Authority	National Sector Public	 Joint	 Private	Total Investment during the Plan period	Percentage of total
6-Water & Irrigation						
Water desalination,	Public sector	13.0	—	—		
water distribution networks,	"	20.0	—	—		
Shatt-el-Arab water scheme,	"	30.0	—	—		
prospecting for & utilization of underground water	"	9.0	—	—		
Total Water and irrigation		72.0	—	—	72.0	7.9
7-Transport & comm.						
a. Air transport					16.3	1.8
Construction of air terminal at the Int. airport,	Public sector	4.5	—	—		
meteorological projects,	"	0.3	—	—		
expansion of air transport	Kuwait Airways Corp.	11.5	—	—		
b. Sea transport					45.1	5.1
Eastern ext. of Sh. port.	Public sector	1.9	—	—		
Western ext of Sh port.	"	10.8	—	—		
improvements in Sh. port.	"	0.3	—	—		

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
Construction of small harbours,	Public sector "	1.2	—	—		
ships,	Kwt. Shipp. Co.	—	6.1	—		
Purchase of oil tankers & construc. of a bldg.	Kuwait Oil Tanker Co.	—	—	26.0		
c. Inland transport					58.4	6.4
Road & drainage,	Public sector	28.5	—	—		
buses, bldgs. & workshops,	Kuwait Transport Co.	—	1.9	—		
public vans & lorries	Private sector	—	—	28.0		
d. Telecommunications						
Telephone lines, exchanges, transmitting and receiving stations	Public sector	31.2	—	—	31.2	3.4
Total Transport & communications		90.2	8.0	54.0	152.2	16.7
8-National guidance & information						
Bldg. & equipment for broadcasting & television,	Public sector	10.2	—	—		
new bldg. for the museum, archaelogical surveys, research	"	1.2	—	—		

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
& exploration,	Public sector	0.3	—	—		
misc. works	"	1.3	—	—		
Total National guidance & information		13.0	—	—	13.0	1.4
9-Research & training						
a. Research					7.5	0.8
Soil survey and classification,	Public sector	1.3	—	—		
survey of fishing resources,	"	0.5	—	—		
bldg. of the Kuwait Inst. for Econ. and Social Planning,	"	1.2	—	—		
National Centre for Research & Technology	"	0.2	—	—		
ministry research works,	"	0.4	—	—		
conting. research,	"	1.9	—	—		
bldg. & equipment of Research Institute	Arabian Oil Co. (Japan)	—	—	2.0		
b. Training					1.5	0.2
Adm. Trainning Institute	Public sector	0.1	—	—		
Social Trainning Centre	"	0.1	—	—		
Inst. for Health Technicians	"	0.3	—	—		
Vocational Train. Centre	"	1.0	—	—		
Total Research and training		7.0	—	2.0	9.0	1.0

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
10-Education						
School bldgs.,	Public sector	50.0	—	—		
expansion in private education	Public sector	—	—	2.0		
Total Education		50.0	—	2.0	52.0	5.7
11-Social & religious services						
a. Social & labour services					12.0	1.3
Social Welfare Institutions for Special Categories,	Public sector	2.7	—	—		
community dev. projects,	”	5.3	—	—		
youth & leaders training proj.,	”	0.6	—	—		
civic & tech. dev. projects	”	3.0	—	—		
labour welfare projects	”	0.4	—	—		
b. Religious services					6.0	0.7
Mosques,	”	5.0	—	—		
mosques & charity institutions	Private sector	—	—	1.0		
Total Social & religious services		17.0	—	1.0	18.0	2.0

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
12-Health services						
Mubarak hospital,	Public sector	12.0	—	—		
extension of Sabah hospital,	,,	6.0	—	—		
Fahaheel hospital,	,,	6.0	—	—		
misc. works in other hospitals,	,,	3.5	—	—		
dispensaries & health centres,	,,	0.5	—	—		
preventive medicine projects,	,,	0.7	—	—		
construction & completion of basic facilities & small works,	,,	1.3	—	—		
private hospitals & clinics	Private sector	—	—	3.0		
Total Health services		30.0	—	—	33.0	3.6
13-Housing & public bldgs.						
Construction of 8000 houses for limited income groups	Public sector	36.0	—	—		

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
completion of houses for fixed income groups started in the pre-Plan period	"	10.5	—	—		
army & police staff houses project,	"	12.0	—	—		
housing projects in Shamiyya, Kaifan & East Magwa areas,	"	3.2	—	—		
construction of groups of houses for municipality cleaners,	"	0.6	—	—		
Other housing construc.	Public, Joint & Private sector	1.5	2.0	100.0		
Public bldgs.	Public sector	11.2	—	—		
Total Housing & public buildings		75.0	2.0	100.0	177.0	19.4
14-Commerce, finance & tourism						
Permanent Fair, hotels, banks, bldgs., business centres & tourist projects,	Public sector	6.0	—	—		
	Joint sector	—	1.0	—		
	Private sector	—	—	15.0		
Total Commerce, finance & tourism		6.0	1.0	15.0	22.0	2.4

Economic Sector	Executing Authority	National Sector			Total Investment during the Plan period	Percentage of total
		Public	Joint	Private		
15-Public utilities & municipal services						
neighbourhood centres, corniche scheme, abattoir, town planning, squares & tunnels, street lighting, landscaping, sport city, etc.		46.0	—	—		
Total Public utilities & municipal services		46.0	—	—	46.0	5.0
16-Security & judicial services						
Bldg. projects for Min. of Interior & Min of Defence	Public Sector	10.0	—	—		
Total Security & judicial services		10.0	—	—	10.0	1.1
17-Change in commodity stocks	Private sector	—	—	75.0	75.0	8.2
Grand Total of National Investment					912.0	100.0
Total Public Sector Investment		507.0	—	—	507.0	55.6
Total Joint Sector Investment		—	60.0	—	60.0	6.6
Total Private Sector Investment		—	—	345.0	345.0	37.8

III. Expectations in Production, Income and Employment

A. Expectations in Gross Domestic Product

17. The value of the GDP at market prices is expected to increase from K.D. 804 million in the Base Year 1966/67 to K.D. 1102 million in the Target Year, i.e. the last year of the Plan. This means an increase in the value of GDP during the Plan period of about 37 per cent, or an average annual compound rate of growth of 6.5%. This increase in the GDP, which is estimated at K.D. 298 million, will be achieved after carrying out the proposed Investment Programme in the Plan. Moreover, incomes created on the completion of projects that were begun before the Plan period will begin to yield fruit during the Plan years. But the expected increase in GDP, and their distribution among the various economic sectors between the Base Year and the Final Plan Year, is not the result of carrying out the investment programme alone. It should be remembered that certain conditions always accompany the process of investment. One example is the use of idle resources; their employment in the production process needs no extra physical investment. The same is true when increasing the productivity of the labour force through technical and vocational training and through quantitative and qualitative improvements in education at all stages. And the same applies to the various institutional organizations which will be dealth with in Chapter Seven.

Increases in the GDP are brought about not only with the amounts spent on various new physical investments but also - and to a far greater extent - with the best use of the existing fixed capital assets.

Table (13) shows the expected increases in the value of the GDP by the end Target Year by type of industrial activity.

Table (13)

The GDP by Industrial Origin in the Target Year 1971 72

(In Millions K.D. at Base Year Prices)

Sector	Value	Percentage of total	Increase over Base Year	Percentage Increase during the five years	Annual percentage increase
Agriculture & animal husbandry	2	0.2	1	100.0	15
Fisheries	5	0.5	2	66.7	11
Crude oil, natural gas & quarries	655	59.7	166	33.9	6
Manufacturing	45	4.1	16	55.2	9
Construction	53	4.8	15	39.5	7
Electricity, water & gas	29	2.6	11	61.1	10
Transport, storage & communications	32	2.9	10	45.5	8
Wholesale & retail trade	90	8.2	26	40.6	7
Financial services	17	1.5	5	41.7	7
Real-estate rents	56	5.1	18	44.7	8
Public administration & defence	56	5.1	10	21.7	4
Other services	58	5.3	17	41.5	7
GDP at factor cost	1098	100.0	297	37.1	6.5
Net indirect taxes & subsidies	4	—	1	—	—
GDP at market prices	1102	—	298	37.1	6.5

18. The expected increase in the various economic sectors have been calculated on the basis of available data under conditions of existing investment and investment under execution which will reach the operational stage during the Plan period. Another factor in the calculation was the gestation period of the various productive projects, both those currently under execution and those to be set up during the Plan. The use of idle resources and the increased productivity of the labour forces has also been taken into account. Estimates have been made where it was not possible to obtain actual statistical data. They are based on past experience and comparisons with other developing countries, modified by existing production conditions in Kuwait.

19. The calculations for some principal sectors, such as Oil and gas, and all types of government services, have been based on the objectives of the Plan. Thus, the value added in the Oil sector by the end of the Target Year has been reached by compounding the value added in the Base Year by 6% per annum irrespective of the annual investment in that sector. The government services are planned to increase as a whole by no more than 6% per annum to conform with expected increase in oil revenues. Nevertheless, the individual rates of growth of the sectors which fall within the range of government services will vary. This the Plan intends to achieve by allocating varying shares of total national investment to different sectors.

B. Estimation of the Gross National Product

20. In order to estimate the value of the GNP in the Target Year, it is necessary to estimate net transactions with the rest of the world in that year. Factor income transfers by Oil Companies operating in Kuwait have been estimated at K.D. 335 million on the basis that this income will increase at the projected rate for oil and gas production of 6% per annum. Income from government and private foreign assets has also been forecast to increase at an average annual rate of 6%. The value of other factor income transfers to the rest of the world has, in the absence of adequate information, been left at the same value as in the Base Year, viz. K.D. 1 million. The following Table shows the expected value of the GNP and of the National Income in the Target Year.

Table (14)

Estimated GNP and National Income in the Target Year

1971 / 1972

(In Millions K.D. at Base Year Prices)

GDP at factor cost			**1098**
less	Factor income transfers by oil companies	-335	
	Income on foreign assets (govt. & private)	+ 76	
	Other factor income transfers	- 1	
Net factor income payments to the rest of the world			**-260**
GNP at factor cost			**838**

Net indirect taxes and subsidies	+ 4
GNP at market prices	842
Less depreciation of fixed capital assets	- 122
National income at factor cost	716

21. Table 14 shows that the value of net factor income payments from the rest of the world will be around K.D. 260 million in the final year of the Plan. Accordingly, the value of the GNP in the same year will be K.D. 838 million at market prices. By comparing the value of the GNP in the Target Year with that in the Base Year (which amounts to K.D. 604 million) it becomes obvious that the realized increase by the Target Year will be K.D. 238 million. In other words, the realized annual rate of increase in the GNP will be around 6. 9%. This rate is higher than the rate of increase in the GDP (which amounts to 6.5% annually) by 0.4%, which represents the contribution of the returns on foreign investment to the National Income.

22. The National Income in the Target Year will be about K.D. 716 million, or K.D. 195 million more than in the Base Year. Accordingly the average annual rate of increase will be 6.5%. This is in line with the increase in the GDP. As Table 14 shows, the National Income figure has been reached by deducting depreciation of fixed capital assets from the value of the GNP at factor cost.

23. The depreciation of fixed capital assets is assumed to be around 5% of the total fixed capital investment proposed in the investment programme. The basis for that figure is that this investment is not, like a new investment, liable to a high rate of initial depreciation. Depreciation on the new investment amounts to K.D. 42 million, to which is added depreciation on existing fixed capital assets in the Base Year (estimated at about K.D. 80 million). Thus total depreciation in the Target Year is in the range of K.D. 122 million.

C. GNP and its Uses in the Target Year

24. It is expected that the GNP in the Target Year will be used as shown in the following Table.

Table (15)

GNP and its Uses in the Target Year 1971/1972

(In Millions K.D. at Base Year Prices)

GNP at market prices			**842**
	Total consumption		470
	Public	161	
	Pirvate	309	
Uses	Total investment		208
	Public	127	
	Private	81	
	Balance of payments surplus		164
Total uses			**842**

25. As shown in Table 15, total national consumption will rise from its Base Year level of K.D. 330 million to around K.D. 470 million. This amounts to an increase of K.D. 140 million. Consumption in the Target Year has been estimated on the basis of an average cumulative rate of about 7% annually during the Plan years. Such a percentage is equivalent to around 42% for the Plan period as a whole. It is expected that the rate of increase in private consumption will be not more than 8% annually, wihle the increase in public consumption will not be allowed to exceed 6%. It is obvious that the Development Plan hopes to raise the standard of living of everyone, especially the poor. Thus an annual rate of increase of about 8% in private consumption is one of the goals which the Plan seeks to achieve. The Plan hopes to prevent the annual rate of increase in government consumption from exceeding 6%. This would lead to the greatest possible volume of saving of public financial resources which would then be chanelled towards domestic or international investment. Moreover, limiting public consumption to a maximum of 6% will cause the government to draw from the General State Reserve only for productive investment projects.

26. Table 15 also shows that investment will rise from its Base Year level of K.D. 150 million to K.D. 208 million in the final year of the Plan, thus achieving an increase of K.D. 58 million over the Base Year. Investment will increase at an average rate of about 7% during the Plan years. Such a rate meets the needs of the Investment Programme and is consistent with the Plan's aims of realizing the objectives mentioned in Chapter III.

27. The Balance of Payments surplus in the Target Year will be approximately K.D. 164 million. By comparing this figure with the Base Year of K.D. 124 million, it will be seen that the increase achieved by the Target Year will be K.D. 40 million. Thus the Balance of Payments surplus will increase by about 32% during the Plan years or at the rate of around 6% annually. This rate of increase is consistent with the strategy of development. It is propose to invest the surplus of national savings, over domestic investment requirements abroad, in order to increase the country's income from foreign investment. This surplus, does not equal the Balance of Payments surplus since a certain proportion is made up of each trasfers abroad either by government or by residents working in the State of Kuwait. These transfers are estimated to be around K.D. 59 million in the Target Year. Thus, the balance available for investments abroad will be around K.D. 105 million.

D. Savings & Investment

28. According to the expectations of the Plan, savings are estimated to reach K.D. 313 million in the Target Year. This is equivalent to about 37% of the GNP for that year which is estimated at K.D. 842 million. Savings will thus increase by about K.D. 95 million or 43% during the Plan period, i.e. by about 7.5% per annum. Thus the ratio of saving to GNP will increase from 36% in the Base Year to 37% in the Target Year. Thus it can be concluded that in spite of the increase in national consumption (and in private consumption in particular) during

the Plan period, savings will also increase by about 1%. This is in effect what the Plan expects, since personal incomes will increase in a manner that will permit a rise in both consumption and savings.

29. Savings necessarily equal domestic and foreign investment after deducting foreign exchange transfers. These transfers represent a permanent leak of part of the GNP abroad. Thus investment in the Target Year should equal the savings for that year, as shown in the following Table.

Table (16)

Savings Investment Account for the Target Year 1971 1972

(In Millions K.D. at Base Year Prices)

Savings		313
Investment		313
Domestic	105	
Foreign	208	

30. On the basis of the average annual rate of increase in savings between the Base and Target years, which is estimated at about 7.5%, national savings will amount to around K.D. 1360 million for the five years of the Plan. It will be used to finance domestic and overseas national investment. Since the investment programme requires only K.D. 912 million for financing domestic investment, the remaining K.D. 448 million will repre-

sent investment outside Kuwait during the Plan period, over and above investment abroad in the Base Year.

E. Employment Expectations

31. The execution of the Investment Programme, making use of the productive capacity created in the national economy, and subsequent increases in the GDP and GNP will, of course, require additional labour force. The Plan aims to increase the GDP at an average annual rate of about 6.5% and the GNP by about 6.9%. This will raise the value of the GDP and the GNP at factor cost from K.D. 801 million and K.D. 601 million respectively in the Base Year to K.D. 1098 million and K.D. 838 million at the end of the fifth year of the Plan. It is therefore taken for granted that the actual labour force will be increased.

32. In order to estimate the actual labour force needed to raise the national product to the planned levels, it will be necessary to assess the Plan's policies concerning population in general and the labour force in particular. These are discussed in Chapter Six. It may be briefly stated here that the strategy concentrates upon two points. First, increasing the degree of participation of Kuwaiti citizens in the actual labour force, secondly, raising the productivity of the total labour force, Kuwaitis and non-Kuwaitis alike.

33. An analysis of the Base Year figures will reveal that the productivity per labourer is valued at K.D. 4306. This average is

reached after dividing the GDP in the Base Year (K.D. 801 million) by the total number of the actual labour force (186,000). Since one of the principal objectives of the Plan is to raise overall productivity in the national economy, the Plan proposes to increase productivity by 1.5% per annum. This rate of increase is arrived at, first, by accepting existing standards of efficiency, as also assuming completion of proposed vocational and technical training plans and, then, by reducing disguised unemployment among workers, especially in the public sector. Accordingly, the Plan expects average productivity to reach K.D. 4639 by the Target Year. It is expected that labour force will be 237,000 strong in the Target Year (GDP ÷ Productivity = Number of workers). Since the actual labour force in the Base Year is estimated at around 186,000 workers, the required net addition will, be 51,000 workers during the Plan period.

34. This additional number of workers represents new demand for labour during the Plan period. It can be met from two sources viz. the natural increase of the Kuwaiti population and the import of non-Kuwaiti labour. The Base Year figures show that the Kuwaiti population is 231,737 persons. Assuming an annual rate of natural increase of 3.5%, the total Kuwaiti population will be around 275,234 by the Target Year. The labour force generated by the Kuwaiti population in the Base Year was estimated at 42,000 workers, i.e. about 18%. The

strategy of the Plan aims at increasing this ratio by providing work for the unemployed and by increasing the participation of women in the labour force. The Plan assumes that the percentage of Kuwaiti workers will rise during the Plan period from 18% to 23%. As a result the Kuwaiti labour force will increase by around 21,000 workers. As the required total net addition is estimated at 51,000 workers, the balance of 30,000 will come from non-Kuwaiti sources.

35. On the basis of these expectations, the participation of Kuwaiti workers in the actual labour force will be about 26.6% in the Target Year, compared to 22.6% in the Base Year. Thus, the Plan will have achieved its aim of raising the participation of Kuwaiti workers in the actual labour force. This however, depends largely on carrying out the right policies. detailed in Chapter Six.

CHAPTER FIVE

CHAPTER FIVE

FINANCING OF THE PLAN

I. Economic and Financial Resources

A. Economic Resources

1. If a comprehensive plan for economic and social development is to be successful all available physical and human economic resources must be prepared and made use of in a manner that will assure the realization of the Plan's objectives.

The level of economic activity within a geographical area is a function of two factors. These are the availability of economic resources and the degree to which they can be exploited. This level defines the degree of progress or backwardness in the economic and social fields of that area. The correlation between the degree of social development and that of economic advancement is very high. It could be said that the standard of social development cannot rise without a corresponding rise in economic standards. In effect, social welfare is the ultimate obobjective of all societies. Economic progress is considered only as a means by which this desired level is reached. Most development plans in developing countries emphasize the need to release available economic resources and make the best use of them. But this is only done to achieve higher standards of of social advancement and, subsequently, to ensure a reasonable standard of living for every member of the society. The mobilization of available economic resources is, accordingly, the millstone and the focal point in the process of planning for economic and social development. The more efficient the use of economic resources, the more likely it is that development plans will attain their objectives.

2. Economic resources are material as well as human. The land and its store of exposed or hidden wealth represents a country's material resources. But they remain useless to man until he exploits these through his mental and physical efforts. Thus man is the axis of the planning process. He represents simultaneously the means and the end in the context of economic growth and social advancement. It is therefore, necessary to concentrate attention on development of human resources through the proper training of their mental and physical capabilities for the fullest exploitation of natural resources. Thus the Plan gives high priority to development of the resource as a basic condition for natural progress in all directions.

B. Financial Resources

3. The output generated by the use of available economic resources over a given period of time, is normally represented by a flow of financial resources which are distributed between the public and the private sectors of society. The accruing share of either sector need not be equal to the volume of the econo-

mic activity undertaken by it. Quite often the public sector's available financial resuorces greatly surpass in value the goods and services generated by its economic activities. This is because the Public Treasury absorbs funds in the form of taxes and fees from individuals, establishments and organizations in the private sector. The same can be true for the private sector. Here it is possible at times for this sector to hold financial resources that exceed the value of the goods and services generated by its own economic activities. This is because aids and grants are provided by the State as direct cash payments, subsidies, goods and services, or through acquisition compensation as in Kuwait at present.

4. In spite of the close relationship between the mobilization of available economic resources and the preparation of comprehensive development plans, the criteria used for expressing figures included in these plans are normally financial, i.e. the costs of the development programmes appear as financial estimates. These are liable to increase or decrease according to unforeseen developments during the execution of those programmes. In other words, the figures of development plans, especially those of developing countries where adequate statistics and studies are scarce, do not normally include the physical quantities of economic resources required for the development programmes owing to a number of technical complications. Instead they include estimates of the financial resources nece-

ssary to cover the costs of those programmes. This is one reason why the estimates for development programmes need to be re-examined every year during the Plan period and to be adjusted in the light of new data and information.

5. Prices have a structural effect on changes and alterations in the estimates of financial resources for development programes. Cost estimates of development programmes are prepared on the basis of prevailing prices in the year during which the development plan is prepared. Prices fluctuate in response to conditions of supply and demand, whether on the local or the international levels. Cost estimates of development programmes are thus liable to change. They will require an annual adjustment to equate them with actual price levels. These will be reflected in the annual plans which are derived from the Five-Year Plan.

6. Since sources of finance for domestic investment are critically limited in most of the developing countries, a great deal of time is spent seeking financial resources to meet the costs of projects proposed in development plans. Kuwait is very fortunate in this respect. The available financial resources for investment will exceed, at least during the Five-Year Plan period, what is needed to cover domestic investment opportunities. The problem, therefore, becomes one of finding new local investment opportunities. These can then absorb available financial resources.

7. Total national savings during the period 1967/68 - 1971/72 have been estimated at K.D. 1360 million. This volume of saving is the actual source of funds needed to finance the domestic investment proposed in the Plan. It represents the surplus owned by society, after deducting consumption expenses and current transfers abroad.

8. The savings of the public sector during the Plan period will come from the current financial resources expected to be available during the same period, and from other sources to be described later. The size of the current financial resources which will accrue to the public sector during the Plan period was estimated on the basis of the prevailing financial rules, regulations and agreements in the Base Year. It does not include revenues accruing from the investment of the General Reserve Funds, since these revenues are ploughed back into the General Reserve. Moreover the estimates have not taken into account any possible additional government income created by adjusting prevailing tax rates or introducing new taxes. The estimated income from the public sector during the five year period will be around K.D. 1,486.6 million. It will originate from the following sources.

Oil Revenues

9. Oil revenues are expected to amount to K.D. 1384.5 million during the Plan period. This figure represents the cumulative compounding of the Base Year revenues by 6% per annum

for the five year period of the Plan. The Base Year revenues of fiscal 66 67 were reported at K.D. 231.7 million. The actual amounts of oil revenues obtained year by year however might be higher or lower than the average rate taken as a base due to unforeseen developments in oil production during any year of the Plan. But these annual changes will not closely or finally affect the average annual rate of oil production for the Plan period as a whole, which is 6 per cent.

Customs Duties

10. The estimated revenues from this source have been calculated by compounding the Base Year revenues by 6% for each of the five years of the Plan. This rate has been chosen since it takes into consideration the increase in both national consumption and national domestic investment, i. e. the increase in the national domestic expenditure. The expected increase in consumption is based on three factors: (1) the increase in population, (2) the rise in standards of living due to higher incomes (3) the increase in government consumption caused by an incrase in population and the expansion of public services. The rise in the level of investment will issue from an increase in development activity required by the Plan.

The value of Kuwait's import trade has increased remarkably during the last decade. This has happened because as people got richer they were able to satisfy needs previously denied and others which sprang up as the opportunity arose for their fulfilment. After the tempo of economic activity diminished, the annual growth in imports returned to normal, although the actual volume still remains high. Accordingly, the expected total revenues from customs duties during the Plan period are estimated at K.D. 25.7 million.

Revenues of Government Enterprises

11. These revenues comprise the proceeds from the sale of electric power, water, telegraph, telephone, postal services, and chlorine and salt products. Revenues obtainable from these sources during the Plan period are estimated at K.D. 30 million. These represent the cumulative total of compounding the Base Year revenue from this source by 5% per annum. This 5% figure was obtained after assessing the expected increases in the population and its income together with the unsatisfied demand for these goods and services; in particular for telephone services, electricity and water. The demand for electric power is expected to rise not only for household use but also for industrial activity and allied services. Consequently, the projected revenues from this source will probably not be greatly affected by the recent reduction in the price of electricity.

It may be pointed out that the above estimates for revenues from government enterprises have been calculated on the basis of their present operations and level of efficiency. The revenues from these enterprises will definitely exceed the above estimates when they are re-organized in the light of economic and technical principles detailed in Chapter Seven.

Miscellaneous Revenues

12. These revenues comprise a group of State incomes from various fees, sale and rental of State property, interest on funds deposited with local banks and income tax on foreign firms other than oil companies. Total revenue from these miscellaneous sources in the Base Year was around K.D. 6.9 million. The Plan expects this figure to increase at the average rate of 10% per annum during the Plan period and thereby bring the cumulative total revenue from these sources to K.D. 46.3 million by the end of the Target Year. This rate is consistent with the expected increase in population and personal incomes. It is also consistent with trends in the development of miscellaneous revenues over recent years.

13. The following Table summarises the estimated State income during the Plan period from the various sources.

Table 17

Estimated Revenues of the State Budget During the Five Years of the Plan

(In Million K.D.)

Sources of Revenue	Base Year 1966/67	67/68	68/69	69/70	70/71	71/72	Total Revenue 67/68-71/72	Annual rate of increase %
Oil Revenues	231.7	245.6	260.3	276.0	292.5	310.1	1384.5	6.0
Revenues from Customs & Ports	4.3	4.6	4.8	5.1	5.4	5.8	25.7	6.0
Revenues from Government Enterprises	5.2	5.5	5.7	6.0	6.3	6.6	30.1	5.0
Miscellaneous Revenues	6.9	7.6	8.3	9.2	10.1	11.1	46.3	10.0
Total	248.1	263.3	279.1	296.3	314.3	333.6	1486.6	6.0

II. The Size of the Investment Programme & its Sources of Finance

14. The Investment Programme for the Plan period will be to the tune of K.D. 912 million. This figure represents all the expected investments in public, private and joint sectors in the various fields of economic and social activity. The public sector's investment is estimated at K.D. 507 million, that of the private sector at K.D. 345 million, and the joint sector at K.D. 60 million.

The Plan expects an investment programme of this size to raise the Gross National Product from K.D. 804 million at market prices in the fiscal year 1966 67 to K.D. 1102 million in the Target year 1971/72.

15. Financing of the above investment will depend in the first instance on society's accrued savings after it has met its various consumption needs. The Plan estimates that the accumulated savings at the national level will amount to K.D. 1360 million. This means that national savings will exceed the investment requirements during the Plan period by K.D. 448 million. This surplus in national saving will be channelled abroad to finance various foreign investments, many of which will be found in Arab countries. They will be undertaken either directly, through participation and contribution in financing joint projects, or through grants for development loans.

Perhaps the position of Kuwait in this respect is completely different from that of many other developing countries. In most of these countries saving falls short of meeting available investment possibilities. This subsequently compells such countries to seek foreign sources of capital to overcome their domestic shortage. In Kuwait the lack of domestic investment opportunity is due to the limited absorptive capacity of the Kuwait economy. It is hoped that the projected economic expansion will provide more investment opportunities for future generations.

16. The public sector's share in the Investment Programme is K.D. 507 million, or about 55.6 per cent of the total. It is assumed that this investment will be financed by surplus income of the State Treasury after meeting government consumption and current transfer payments. Government consumption spending during the Plan period is estimated at K.D. 717 million. The total current transfer payments for the same period are estimated at K.D. 118 million. This estimate for transfer payments is based on the assumption that current transfers abroad in each of the Plan year will not exceed the level in the Base Year, i.e. K.D. 14 million per annum or K.D. 70 million for the five years. Internal current transfers are expected to increase at the same rate as that of the increase in consumption expenditure, which is 6% per annum on the average. Since the level of internal current transfers is K.D. 8 million in the Base Year, the total of this type of transfers will, be around K.D. 48 million for the five years of the Plan.

It was stated earlier that the current financial resources estimated to become available for the public sector during the Plan period amount to about K.D. 1486 million, excluding returns on the General Reserve investment. If government consumption expenditure, estimated at K.D. 717 million for the Plan period, and government current transfer payments, estimated at K.D. 118 million during the same period, are deducted from the above resources (K.D. 1486 million), the surplus will be K.D. 651 million. This surplus will be used for financing the public sector's share of domestic investment. This is estimated at K.D. 507 million. The remaining balance of K.D. 144 million will be transferred to the State General Reserve Fund. As the Plan assumes that land and property purchases will be suspended after the balance of the approved allocation of K.D. 200 million has been paid, unless development projects and town planning require additional purchases, it would be possible to increase the General Reserves with windfalls from the current revenues during the Plan period.

17. The private sector's share during the Plan period will amount to K.D. 345 million, or about 37.8 per cent of total gross national investment. This share will be financed by the accumulated savings of the sector during the same period.

Besides the sum of K.D. 345, the private sector will be expected to contribute further funds to finance its share of those investments of the joint sector in which it is a co-owner with the public sector.

18. The joint sector's investment is expected to reach around K.D. 60 million during the Plan years. The public sector will finance its share in the investment of the joint sector by using a part of the accumulated savings in the State General Reserve Fund. The Plan presumes that the public sector's share will amount to about K.D. 30 million.

The Plan also assumes that the private sector's share of the joint sector's investment will be about K.D. 30 million. The private sector will meet this amount from its savings. Thus, the total expenditure of the private sector on domestic investment during the Plan period will be K.D. 375 million.

19. Although the joint sector's investment will not exceed 6.6 per cent of the total national investment, the relative significance of this sector will increase over the years. This is because the status of the joint sector allows the public sector (within the framework of the Kuwaiti society) to take the initiative in establishing investment projects which the country lacks. It also enables the public sector to adopt a policy of economic and social planning consistent with the long range objectives of economic and social planning in Kuwait without conflicting with the principles of economic freedom defined in the Constitution of the country.

CHAPTER SIX

CHAPTER SIX

OVERALL POLICIES AND PLAN IMPLEMENTATION

1. Development plans carry out public policies designed to provide ideal solutions for economic and social problems. It is natural therefore, to adopt such plans as the basis not only for the economic and social policies of a country but also for the laws and regulations of the State. Moreover, since the objectives of development plans are inter-related, one must expect their general and specific policies to have the same bases and thereby develop smoothly together as the Plan progresses.

2. 'General policies' means here those policies whose nature covers society as a whole and which do not apply to any particular economic or social activity. The economic policy of the State, for example, is a general policy. It defines the basic principles and restrictions that govern the development of economic activity in the country. Another general policy is the population policy, which defines the priveleges and duties of citizens and residents. It combines these with the country's labour requirements and also includes a set of measures and procedures needed to control changes in population size as prevailing conditions demand. A further example of the same is the policy of general welfare, whose provisions affect the life of every citizen in raising his welfare to the highest possible level.

Specific policies apply to particular activities or sectors.

A specific policy includes legislative and procedural details relating to any one activity or sector. The commercial policy aimed at reorganizing the commercial sector, for instance, is a specific policy since it applies only to the dealings of this sector. The same is true of policies dealing with other sectors such as the industrial sector, the services sector, the agricultural sector, etc.

3. When dealing with general policies within the Plan's general framework and the need for them to follow its aims and objectives, the Plan merely outlines the broad lines and trends for those policies which are directly associated with it. The details may deal with the context of the policy and philosophy justifying this context, or with new legislative acts, modifications to existing laws, new essential regulations or particular procedures. These are the direct responsibility of the governmental authority concerned with a specific activity or sector.

4. It may be pointed out here that tracing the main lines of the general policies, and fitting them into the general framework of the development plan, is as vital as the Investment Programme of the Plan, upon which the projected increases in production, income and employment are based. For these objectives cannot be realized without suitable policies to achieve them. Therefore, it is both wrong and inappropriate to view the Development Plan only in the light of the amount of investment and its distribution among economic sectors. The Plan is

a homogenous mixture of objectives, policies and investments. Each one of these affects the other and they are all governed by one relationship. It is the relationship between economic and social development.

5. Another important point that must be remembered while discussing general policies and their position within the general framework of the Development Plan, is the degree of commitment and obligation to the Plan's proposed policies and objectives, together with the investment expectations during the five years of a plan. It is recognized that development plans should embrace all aspects of productive activity in a society. They must also make the best use of available resources, both human and material, in order to achieve the required economic and social development. It is equally true that those policies which take the form of laws, regulations and procedures are policies which the State must carry out and its individuals and institutions observe. Thus, when a development plan is approved by the highest authority in the country on behalf of the entire society, it becomes a basic legal document entailing full commitment to its objectives and policies by the public sector, the private sector and all groups and individuals of the society. However, the investment expectations of development plans, usually distributed between public and private sectors, are estimates since they refer to future years. Moreover, the economic freedom guaranteed by the Constitution of the country tends to increase dependence upon estimates

when preparing the investment expectations in the private sector. The problem is less difficult for the public sector since it is fully aware of and committed to its investment intentions. The only difficulty of the public sector is that the cost of its Investment Programme might be modified by periodic revisions. Estimates for the investment expectations of the private sector are based on those projects in the various sectors which ought to be undertaken to produce results which conform with the Plan's objectives. In other words, the role of the Plan for the private sector's share in the total national investments is one of guidance and direction. The Plan does not legally bind the private sector to undertake its share of investment but it does assume that the private sector is voluntarily committed to such investments. The significance of these State policies lies in their ability to create incentives or restraints in the productive activity of the private sector. Such acts induce it to be consistent, in its investment decisions, with the objectives of the Development Plan.

6. Thus, the assessment of the main principles of the general policies should center around the general economic policy, the population policy, the policy of welfare and social justice and the financial and monetary policy. Naturally, this assessment will take place within the framework of those constitutional principles which express national aspirations.

I. General Economic Policy

7. The main principles of the general economic policy deal with aspects of economic growth, specification of the fields of activity for each of the public and private sectors, and the expansion of the scope of the joint sector.

A. Economic Growth

8. Of course, if a pre-determined rate of economic growth is adopted during the Plan period, the State authorities are committed to act in a manner that will encourage economic growth. As mentioned earlier, to aim at achieving a particular rate of economic growth is not a virtue in itself. It is merely a way to develop the State and raise the living standards of everyone in as much as this leads to an increase in personal incomes. Subsequently, it gives every individual an opportunity to buy more of goods and services, themselves an indication of his higher standard of living.

9. Maintaining the Plan's approved rate of economic growth implies also an obligation to seek the planned expansion of the base of economic activity and to diversify the sources of national income. The aim is not only to achieve this rate of economic growth in absolute terms. More important, such an achievement must be based on firm economic foundations. Its short term achievement must lead to a steady long term economic growth. Thus, it is hoped that the expansion of the country's productive capacity and the diversification of its economic activity will bring about the desired increase in the rate of economic growth over the years.

10. It must however be recognized that the achievement of the rate of economic growth depends to a large extent on the rate of increase in oil production. Moreover, the financing of the Investment Programme of the Plan depends basically on the oil revenues which will be available to the State Treasury. The positive correlation between the desired rate of economic growth and the rate of growth in oil production is evident. The Plan assumes an average annual rate of growth in oil production of 6 per cent. This rate has been taken as a basis in deciding upon the rate of economic growth of the Plan. Accordingly the economic policy of the State should seek to maintain oil production in accordance with the Plan's average annual rate of growth.

11. The structure and growth of foreign trade is another important aspect which economic policy should consider when assessing the rate of economic growth. Foreign trade allows goods to be exchanged with the rest of the world. The Plan assumes that this trade will expand with the import of equipment, appliances, machines and raw materials. Again, with higher incomes there will be increased spending on consumer goods. Besides, it is hoped that exports will increase when new productive capacities raise domestic production. In short, the Plan's economic policy will ensure a steady flow of goods needed either for capital formation or intermediate or final consumption. However, such a flow should be linked with the actual needs of the domestic market. It should be restricted or suspended if its

continuance proves to be harmful to domestic production, to the disposal of this production, or to the general economic stability. The economic policy should also protect the reputation of domestic production by ensuring that its output reaches the approved standards. It should also seek to guarantee foreign markets for local products by concluding suitable trade and payments agreements. Equally important here is the task of ensuring and encouraging the growth of efficient transport means needed to handle the inflow and outflow of internationally traded goods and materials.

A sound commercial policy within the framework of the economic policy is a basic requirement for achieving overall economic growth, diversification of production, and an increase in the productive capacity of the country. It is also a basic support for economic stability in the country.

12. The main points of the general economic policy which should accompany the implementation of the First Five-Year Plan may be summarised as follows:

a) Commitment to the rate of economic growth approved in the Plan as a focal point of general economic policy of the country and an assurance that the various economic legislative acts are in line with the national requirements of economic development.

b) Acceptance of the objective of diversification of productive activity in the country, whether in the fields of industrial agricultural or animal production, or in the field of services, especially productive services. This diversification is a basic requirement for achieving the desired rate of economic growth and ensuring its steady rise in the future.

c) Upholding the oil policy as an integral part of general economic policy, since it is inevitably associated with achievement of the desired rate of economic growth and attempting to maintain an average rate of increase in oil production of not less than 6 per cent per annum. This will ensure the flow of oil for a period long enough to develop a large reserve and expand the base of the national economy.

d) Linking the foreign trade policy with the needs of economic development and ensuring that legislative acts concerning the Commercial Sector are suitable to the objectives of development and economic equilibrium.

B. The Public Sector & the Private Sector

13. Perhaps one of the most important factors contributing to the difficulties of economic planning in most developing countries is the indefinate boundaries drawn by government policy to demarcate the fields of productive activity for the private and public sectors. The Constitutional provisions of Kuwait express the national aspirations in this respect. They define the economic system chosen as one based on the principles of economic freedom, restricted only by the social function and by the

requirements of economic development. But in spite of the clarity of these Constitutional provisions, the general economic policy of the State must define the fields and boundaries of productive activity in both the public and the private sectors. Briefly, the main lines of the overall economic policy in this respect are as follows:-

a) The public sector is to carry out all projects of communal benefit such as electricity, water supply, telecommunications and all other similar projects commonly referred to as "public utilities", and which normally include the construction of roads, airports, seaports, schools, hospitals, etc.

b) The function of private sector is to complete purely productive projects such as industrial and agricultural animal husbandry and fishing, and the various productive services projects such as banking, insurance, land and sea transport and others.

c) The public sector should be responsible for the control and supervision of the productive activity of the private sector. This will ensure that its behaviour is consistent with the constitutional provisions relating to the social functions of productive activity, and that it fulfils the requirements of sound economic development.

d) The public sector should prevent the formation of economic monopolies and financial cartels which may harm the national economy or curtail the economic rights of people, in particular, the right of freedom of choice.

C. The Joint Sector

14. Kuwait's prevailing constitutional provisions and the gist of its general economic policy are based on recognition of private initiative and economic freedom within the limits of existing laws and regulations. But the investment intentions of the private sector may not be identical with the Plan objectives for that sector. The public sector would then be acting within its normal role to step in and undertake, on its own initiative, any projects that are not adopted, because of the size of capital needed, or length of the gestation period, or similar other reasons. But the government machinery in most developing countries is usually underdeveloped both quantitatively and qualitatively. It is incapable of meeting the normal responsibilities of government, let alone taking on purely productive projects. In such cases a working solution would be for both sectors to cooperate together. This collaboration would achieve the necessary speed in executing some of the Plan's major productive projects. Such cooperation and mutual support would facilitate the exchange of skills and useful practices between the two sectors. This in turn would lead to the attainment of a high degree of productive and administrative efficiency in all aspects of economic activity.

15. The experiment of Joint sector is not new to Kuwait. The relative success which this sector has so far achieved justifies adopting the concept of the joint sector as a basic principle in the general economic policy for Kuwait. The features of this sector that have so far developed in Kuwait need to be preserved. One important feature is the establishment of the sector's enterprises on a voluntary basis, in consistence with the spirit of the Constitutional provisions. That is to say, the State does not impose itself as a partner in the establishments of the private sector; prior agreement is reached between the public and private sector to the effect that both intend to set up joint productive enterprises.

16. The main points of the general economic policy for the joint sector may be briefly outlined as follows:

a) To substitute cooperation and common interest for discord and suspicion between the public sector and the private sector. This will fall in with the existing Constitutional provisions and act for the benefit of the community.

b) To foster private initiative and encourage the spirit of invention and innovation. These are essential qualities that encourage vigour and lead to success in the private sector.

c) To preserve the characteristic features of the management of private business enterprises and to allow the establishments of the joint sector to be run administratively and technically on the lines of methods and practices obtaining in the private establishments.

d) To secure public control over the activities of the joint sector's establishments. This should be done through government representatives participating in the management of these establishments. This point is in addition to the overall control practised by the State in all fields economic activity in the country.

e) To expand the scope of the joint sector particularly in relation to major productive projects with economic vanguard qualities.

II. The Population Policy

17. The population policy is an integral part of the group of overall policies which must accompany the process of economic and social planning. The size, structure and quality of the population deeply affect the objectives of economic growth in any country. The overall rate of economic growth, the level of per capita income and the size of investment in the basic economic and social projects, like education, health, housing, irrigation, power and communications, are all closely associated with the size of the population and of the labour force. The importance of of the population policy becomes even more obvious when it is realized that "Man" is the basic medium and the prime source of energy in the process of economic and social planning while at the same time its final justification.

Naturally, the scope of the population policy cannot be determined solely from an economic point of view. The political, social, cultural and religious aspects will need to receive the attention they deserve.

18. The structure of the population of Kuwait is unique in that non-Kuwaiti residents outnumber the Kuwaiti citizens. According to the official census carried out in April 1965, the total population of Kuwait stood at 467,339 of which 220,059 or about 47% were Kuwaitis while 247,280 or about 53% were non-Kuwaiti residents.

19. According to these statistics the Kuwaiti population contributed only 40,166 persons to the country's actual labour force of 179,284 or the equivalent of about 23 per cent. The percentage of Kuwaiti workers to the total Kuwaiti population of 220,059 was 18.2 per cent.

Non-Kuwaiti residents contributed 139,118 persons to the actual labour force of the country or about 77 per cent. The percentage of non-Kuwaiti workers to the total non-Kuwaiti residents was about 56 per cent. The reason for this high percentage is that males constitute about 70% of the total number of the non-Kuwaiti population.

It can be seen from the structure of the labour force in Kuwait that most of the technical and vocational skills, as well as manual tasks, are undertaken by non-Kuwaitis. It is also a fact that a considerable number of Kuwaitis work in jobs mainly characterized by disguised unemployment. This should not obliterate the importance of the experience and efficiency of many Kuwaitis, who work in government administration, private business management and management of financial investments locally and abroad. The number of Kuwaitis engaged in strategic professions, however, such as sciences, medicine, accountancy and similar occupations, is very small. There are only 29 Kuwaiti medical doctors out of a total of 581 doctors in the country and 56 Kuwaiti engineers out of 1211 engineers. Kuwaiti teachers number only 293 out of a total teaching staff of 4631. Unfortunately, 79% of Kuwaiti civil servants are either illiterate or have completed only primary education.

20. The actual labour force referred to above is engaged in serving the economy and society on the basis of prevailing standards. Undoubtedly, the same labour force might partially fulfil the requirements of future economic growth if it were possible to increase its productivity on the one hand, and to effect some change in its basic structure on the other. A first step in this direction would be to remove the disguised unemployment which is rampant in some fields of work. Then some of the members of this released labour force, especially the Kuwaiti workers, could be diverted to more productive fields of work. Moreover, it would be possible to increase the actual labour force on the basis of existing levels by allowing more Kuwaiti women to take up suitable jobs.

Naturally, the vocational and technical training programmes will help to raise the general productivity of the existing labour force. The results of such measures and arrangements, however, will not be immediate since, they will not materialize in the period of the Five-Year Plan. Evidently, the achievement of the rate of economic growth requires a certain minimum labour force. Its size was previously discussed in connection with the Plan's Investment Programme and expectations in production, income and employment. The present analysis will, therefore, be confined to the guidelines of population policy and man power planning.

21. The basic principle and the focal point of population policy in Kuwait, is that of the absorptive capacity of the national economy. It might be generally stated that economic absorptive capacity is, to a large extent, dependent on the number of productive jobs available in the country. This number is primarily determined by the size and quality of the national wealth, by the existing and future levels of economic investment and by the socio-economic set-up of the country. Thus, the overall rate of economic growth, the size of investment required to achieve it, the investment's distribution among the various economic and social activities, will determine between them the size of the labour force required. It is then possible to calculate the most suitable size of the total population during the period covered by a single five-year plan.

22. In view of the peculiar population situation where non-

Kuwaiti residents outnumber Kuwaiti citizens (a state of affairs which is expected to persist during the coming years), the determination of the optimum size of the population on the basis of the principle of economic absorptive capacity referred to above should take into account the nature of Kuwaiti society and the political entity of the State. Factors of sovereignty and and religious, cultural, social and public safety all dictate that the population policy should be selective so as to avoid any adverse effects on the economy.

23. Another basic point which the population policy should consider is the need to eliminate disguised unemployment in some jobs, particularly in government service. However, diverting the surplus labour force to some other areas of work, cannot be done quickly. The surplus labour force must be retrained and prepared for the new jobs. Undoubtedly, this requires both the creation of incentives in the new fields of work and the introduction of unfavourable conditions where such disguised unemployment exists.

24. The population policy should also take into account the need to increase the contribution of Kuwaitis to the total labour force. This cannot be achieved unless Kuwaiti women are encouraged to enlist in suitable activities. Experience in most advanced countries has shown that women are more productive in certain jobs than men. Education, particularly in the primary stages, secretarial work, accountancy, computer and calculating machine operation, library management, registry

work and telecommunication are all suitable for women. Their training for such work does not take long. Their employment would help to release men who do such work at present, and divert them to other jobs.

25. The broad lines of the population policy may be summarized as follows:

a) Adopting the principle of economic absorptive capacity as a basis to assess the most suitable size of population that will meet the labour force requirements of the economy.

b) Adopting the principle of selectivity in deciding the size of the non-Kuwaiti labour force while accepting the dictates of sovereignty and public safety and taking note of religious, cultural and social considerations.

c) Eliminating disguised unemployment which is quite high in some occupations, especially the civil service, and deploying the surplus labour force for more productive work in other fields.

d) Creating the necessary incentives to persuade the surplus labour force to find other jobs, and enforcing rigid standards where disguised unemployment exists.

e) Encouraging the participation of Kuwaiti females in occupations which are better suited to the nature of women, by offering them priority in employment.

III. The General Welfare Policy

26. The formulation of economic policy, population policy and other qualitative policies in a manner which will assure the achievement of the Plan's objectives is, in fact, merely a voluntary appeal to attain the Plan's real goal, viz, the setting up of a welfare society. This is a society in which every individual enjoys a reasonable level of real income merited by the effort he has exerted. At the same time he benefits from several services provided by the State like education, health and the public utilities. Another feature of a welfare society is the security offered to the individual concerning his present and the future. In other words, society must ensure him a minimum income in case of loss of the means of livelihood through disablement, crippling, permanent infirmity, old age or any other occurance to which he may be liable during his life. A further characteristic of a welfare society is the equality of opportunity for all individuals, to enable potential talents to be freely realized, without the handicaps of financial restraints or social barriers. Thus, the making of a welfare society depends on the eradication of want in all its forms and the emancipation of the individual from the horrors of poverty. In this way new aspects of life may be opened to all; and every individual may become productive and gainful, thus contributing to the well-being and stability of his society.

27. But in its progress towards a general welfare policy, the

State will find itself shouldering steadily increasing financial burdens as a result of the increase in population and the expansion of public services. The State as a rule meets such financial burdens from various taxes and fees. Most countries try to establish and maintain a taxation system based on the ability to pay, and collect taxes at a progressive rate. In this way they accomplish simultaneously two basic objectives of general welfare policy. These are to redistribute incomes among the various groups of the society, on an equitable basis and to meet the costs of the public services.

28. The basic philosophy of welfare is that the members of society will work together to secure a reasonable minimum standard of living for all, to protect them from poverty and to ensure a stable and secure life. In other words, the general welfare policy does not intend that an able group of the society should depend on another group. Neither does it intend that the entire society should depend on the State for securing the public services provided by that policy without every member of it making a productive effort. This effort in each case should be consistent with his physical and intellectual capabilities. He should contribute towards financing those services according to his financial ability. If these efforts were not made, the result of adopting a general welfare policy would be to spread apathy among society, to weaken the virtue of self-reliance and to discourage each member of society from attempting to improve his standard of living.

29. The general welfare policy in Kuwait was, and still is, one of the public policies which received a special priority. The origins of this policy spring primarily from the nature of Kuwaiti society, founded on the basis of social security and feeling of brotherhood. When the oil income began to increase steadily and surely, it was natural to feel that this wealth should be shared by all. Schools and hospitals were built everywhere and the basic public facilities were developed. Suitable houses were also built for the poor, and a system of social aid and assistance for beggars and others with no source of income, was establisned. These services have expanded so much that the average public spending per capita on these services is greater than anywhere else in the world.

30. A multiplicity of advantages and benefits has been experienced by Kuwaiti citizens, and to some extent by non-Kuwaitis as well. Yet, from the institution of a Welfare State in Kuwait, society has developed a variety of unfortunate symptoms that must be diagnoised and cured before they develop into future obstacles. If not, they may adversely affect the progress of economic and social growth in the country, and limit the ability of government to continue to provide public services to future generations, who are as fully entitled to enjoy wealth from oil as the present generation. An examination of the weaknesses of the existing general welfare system reveals, at the same time, the positive aspects of the broadlines upon which the general welfare policy should be run. If these are

followed, the policy may respond to the long range objectives of economic and social development in Kuwait and approach the continuity of the desired welfare society in the future. The weaknesses referred to above are briefly: (a) the method of financing general welfare services, (b) their rising costs, and (c) their effects on private incentive.

A. Financing General Welfare Services

31. General welfare and other government services in Kuwait are financed from oil revenues. This method of finance helps to deplete the country's foremost source of wealth since oil is in reality nothing but a stored stock of wealth of limited, even if vast, proportions. It is not a recurrent source accruing from a perpetual productive capacity like that of industrial production, agriculture and services. Therefore, this way of financing recurrently increasing services must be seen as depletion of a nation's wealth and not the utilization of current income. The situation becomes worse when it is understood that the aims of welfare policy extend beyond the initial activity of serving the present generation. They also extend to the long-run objective of providing all future generations with whatever is being offered now. Thus it is necessary to reconsider the matter and to decide on the discontinuation of the use of the revenues from national wealth to finance current services. This will mean restricting their use to the establishment of productive capacity to replace the wealth consumed, and then making use of the accruing recurrent output to pay for current government services.

32. Understandably, this principle will need to be applied slowly. Until enough income can be generated from newly created productive capacities to finance services, the government will need to make up the loss of re-oriented funds if it is to continue to provide these services. This will force it to revert to taxation which is clearly a method by which society as a whole can finance public services.

Naturally, such taxation should be based on the ability to pay principle, and should increase at a rate proportionate to the increase in income. This financial contribution by society helps to achieve one basic objective of economic and social development in Kuwait. This is the founding of a reasonable degree of social justice by narrowing the gap between the higher and lower income brackets. Of no lesser importance is that such a measure will help to maintain the social security which characterizes Kuwaiti society and to which the Constitutional provisions refer in more than one place.

B. Costs of General Welfare Services

33. No doubt the costs of general welfare services in Kuwait are relatively high by comparison with similar services in some other countries. It is expected that these costs will increase year by year, owing to expansion and qualitative improvement of these services. Despite the assumption of the Development Plan that the citizens will bear some of the costs in taxes, it will nevertheless be necessary to carry out an accurate and

comprehensive investigation of the structure of general welfare services costs. This must be done in order to cut down on possible spending and find means of ensuring the qualitative improvement of these services. In other words, the effectiveness and success of the general welfare policy will be reflected by the ability to provide public services of the highest quality at a minimum cost.

C. Private Incentives

34. If the ideal objectives of economic and social development aim at the achievement of the desired welfare society, this should not lead to the weakening of the private incentives of the citizens. If society ensures the provision of free public services to all citizens, this should not be taken as an absolute right to which every citizen is entitled. It should be regarded as a sign of social security based on the exchange of mutual interests among the members of the society. These free public services are provided to release the individual from worry about how to obtain such services himself when needed (which he might not be able to afford) so as to enable him to contribute to the development and progress of society through his productive efforts. Therefore, the general welfare policy should pay attention to the question of private incentives, guard against any possible adverse effects on them, and educate the people to regard the provision of new public services not as an absolute right but as a product of the society's reciprocal res-

ponsibility, assuring a minimum degree of social security for every citizen.

35 The main points by which the general welfare policy should be guided may be outlined as follows:

(a) Financing public services from current sources of the public budget resulting from investing oil revenues in new productive operations and from new taxes and fees levied to meet the balance of the costs of state services.

(b) Adopting necessary measures for undertaking a deep and comprehensive analysis of the costs of public services, in order to find ideal solutions for reducing these costs to the minimum and for improving the quality of these services to the highest possible standards

(c) Protecting against adverse effects on private incentives as a result of the provision of free and extensive public services to the citizens. The aim here is to educate the public about the purposes and aims of these services, and make well-off groups of society bear some of the costs of welfare services both from a sense of responsibility and as an assurance that such services will continue for future generations.

IV. The Financial & Monetary Policy

36 The distribution of the accruing national product during a given period of time among consumption, saving and investment varies with existing economic conditions and the distinct

characteristics of the public and private sectors of society

While the public sector's propensities to consume, save and invest normally appear in the annual Public Budget, it is not easy to foresee the private sector's methods of disposing of its share in the national income. All that one can know about the private sector comes through predictions and forecasts of future economic conditions. Several factors are taken into consideration. They are important in affecting individual attitudes to income disposal, general political trends, developments in standards of living, confidence in the future, and so on.

37. Moreover, the decisions taken separately by individuals and establishments in the private sector on income disposal do not always conform to general expectations of investment expenditure by the private sector. Several individuals and establishments might tend to prefer to hoard money. This would lead to leakage from the economic circuit of much of the financial resources available for investment. Only the saving which is actually transformed into productive investment is included in the scope of the economic circuit. This saving later on helps to increase the output and income of the society.

The Plan estimates that the private sector will use K.D. 345 million of its income to finance its share of total national investment. Another K.D. 30 million is this sector's contribution to the investment of the Joint Sector during the five years of the Plan. But it is not easy to guarantee this figure since there will be some money invested abroad and some hoarded at home.

38. Moreover, the time differential between the accumulation of savings and their chanelling into investment will create financing constrictions. The monetary policy and the banking system must find suitable solutions both for these constrictions and other financing problems referred to earlier.

39. Monetary policy has at its disposal monetary controls such as the re-discount rate and the cash-reserve ratio of commercial banks, which are markedly effective in adjusting the money supply to suit the overall economic conditions and cash liquidity situation. These controls ensure a monetary equilibrium in the national economy and help to correct the financing constrictions described above.

It is hoped that the issue of the law establishing the State Central Bank will lead to a sound monetary policy that will be responsive to the needs of the national economy and will assure the success of Kuwait's development plans.

40. The creation of a Central Bank in Kuwait will undoubtedly help to link the banking system which so far has been outside monetary control with the planning process. This Bank will help the banking system become an effective instrument to attain the investment objectives of development plans. The banking system is the depot in which public and private savings

accumulate, and the link between depositors and investors. It is also the instrument used by the monetary authorities for regulating the state of cash liquidity in the national economy.

41. A close relationship exists between the operations of the Public Treasury and those of the banking system and, later, the Central Bank. This tripartite relationship will result in securing the necessary liquidity for the banking system and the public budget operations. It will also enable the Central Bank to control effectively the size of the money supply in the market. For example, the banking system is disturbed about the absence of short-term Treasury bills which it can hold in exchange of some of its cash deposits and, as a result, receive the interest due on these bills. In their absence the banking system holds its surplus cash deposits in foreign government bonds. The Public Treasury on the other hand would, through the issue of short-term bills, be able to ensure the continued financing of the various government activities without having to withdraw some of the public funds employed abroad. It may happen that the government will be forced to liquidate some of its profitable investment in order to obtain the funds necessary for covering its various expenses. The Central Bank will benefit from the existence of government bonds in control of the general monetary conditions in the country and the adjustment of the size of the money supply to meet with the requirements of domestic market.

The issuance of Treasury Bills will benefit not only commercial banks but also financial establishments and large stock companies. The insurance companies, the government and private pension funds, the various saving institutions and other similar establishments will be able to hold some of their cash in Treasury Bills. These can quickly be redeemed without loss.

42. It is possible to assume that the monetary and banking policy will help to create the appropriate state of liquidity in the national economy. This liquidity will be considered necessary to finance the investment projects of development plans. Therefore the national economy must have financial institutions to mobilise and absorb private savings into productive investment opportunities. Such institutions can play an important role of employing national savings, a large proportion of which now finds its way to investment abroad or is hoarded. These institutions will act as an intermediary between those who save and those who invest. They will thus become effective in overcoming the financing difficulties and investment constrictions referred to above. These financial institutions will also promote trading in stocks and bonds, and consequently help to create a suitable environment for a regular stock exchange serving the saving public and investors alike, both in the domestic and the international markets.

CHAPTER SEVEN

CHAPTER SEVEN

IMPLEMENTATION OF THE PLAN BY PUBLIC AND PRIVATE ORGANIZATIONS

I. Preparation and Implementation of the Plan

1. The success of planning for economic and social development does not only depend on preparing plans which are theoretically and technically sound. More important, these plans should be designed to overcome obstacles standing in the path of development. Carrying out development plan in any country is an activity closely linked the political and social institutions of that country. Its success also largely depends on the system and organization of public administration and on the nature and capabilities of the private sector. Another vital factor is the degree of commitment by government and public to the overall objectives and specific targets of the plan.

2. It could be said that the problems encountered when carrying out a plan are generally more intricate and complex than those overcome during its preparation and formulation. For when the development plan moves from the stage of theoretical design to that of practical execution, the authorities both in public and private sectors face the responsibilities and duties which they must undertake after the plan has been approved. In the formulation stage, the plan might impose decision making by every individual in society at both government and pub-

lic levels. But the way such decisions would have to be taken and carried out might cause some embarrassment as a result of their unfamiliarity. This would be true even if their results would benefit the entire society. Therefore, carrying out such decisions requires a great deal of courage, faith and initiative.

3. It is clear that the development plan is an integrated whole. Any departure from its objectives, any neglect of the policies it calls for, or any reluctance to execute the measures and procedures it requires, will undoubtedly threaten it with complete failure and render it a total waste. When preparing the present Plan, it was therefore assumed that there will be full co-operation between government departments, the private establishments and individuals in the discharge of the responsibilities laid down.

4. Although development plans take into consideration standards of efficiency of the public and private sectors, and their ability to carry out their programmes and policies, yet at the same time they assume that the rate of performance and execution should increase faster than in the pre-plan period in both sectors. This increased rate is necessary to insure the fulfilment of the plan requirements, achieve the desired objectives and targets, and meet the completion dates for the programmes and projects. Such an assumption is implicit in the process of planning development, which calls for an accelaration of the country's economic and social development. As a result the time required to achieve this development must be reduced to a

minimum. If progress were left to proceed at its normal speed, the adoption of the concept of comprehensive planning would be no more than a consolidation of the **status quo,** while society really wishes to reach a position consistent with its desired rapid progress and advancement.

5. The importance of the relationship between the stage of creation and execution of the plan is shown by the quality of the decisions taken at various levels. Decisions taken at the formulation stage are in the nature of general guidelines, i.e. they contain the overall principles of the policy of economic and social development. But those taken while the Plan is being carried out are executive and procedural decisions. They are taken to achieve the objective and procedural decisions taken at the formulation stage. However, those who make the executive decisions might not be fully aware of the significance and seriousness of these decisions for the success of the plan's aims. And those who make the policy decisions might disregard the relative importance of the executive decisions. If this happens, it will produce a deterioration in the harmonious relationship which is supposed to exist between the two stages of formulation and execution. And this deterrioration will undermine the development plan's basic-pre-requisites for success.

II. The Public Sector and Plan Implementation

6. The proper execution of a development plan requires every individual and institution in the country to contribute a

good deal of productive effort. But the role played by the public sector during this stage should undoubtedly over-shadow all others. The Development Plan of Kuwait involves the public sector in investments amounting to K.D. 507 million during the Plan period, or about 55.6% of total estimated investment Moreover, the public sector will contribute K.D. 30 million to the investment of the joint sector. In reality, however, the role played by the public sector in the Plan is more than merely making certain investments during the Plan period. The success of the private sector in implementing its share of the Plan also depends to a great extent on what is provided by the public sector in the way of assistance, guidance, care and supervision. Moreover, the investment of the public sector is accompanied by recurrent and increasing expenditures (Chapter I & II of the General Budget) which have great effects on the economic circuit in both its public and private aspects.

7. The Plan entrusts great responsibilities to the public sector. This sector therefore should organize itself in such a way as to clarify the various relationships which exist among its different institutions and between it and the private sector. To do this, every institution of the public sector should clearly understand its role in the process of economic and social development. It should also be aware of the direct or indirect effects of its decisions on the activities of other governmental institutions. And for the Plan to succeed, all public institutions should be fully aware of their position within the government hier-

archy, from the highest state levels down to the smallest government units.

The same is true of the relations between government institutions and the establishments and individuals of the private sector. The methods of operation of government institutions could either stimulate the individuals and establishments of the private sector (which will hasten the achievement of the Plan's objectives) or make them indifferent and apathetic, thereby retarding this achievement.

8. Sound administrative planning is based on scientific principles. It uses flexibility, speed, accuracy and co-ordination in discharging the growing government responsibilities. Such important and serious factors play a basic role in the execution of development plans and policies in both sectors. The kind of Government administrative machinery which discharges state affairs and operates in accordance with traditional government administrative practices will not suit the atmosphere of comprehensive and scientific planning covering all human activities. Government administrative responsibilities are no longer restricted to the traditional concern for law and order and the protection of public interest. Today they cover all forms of human activity and particularly those associated with the economic and social objectives which society hopes to achieve during a given period of time.

9. It is not easy to transform the government administra-

tive machinery from a traditional system to one responsible for the execution of a comprehensive plan for economic and social development. A great deal of effort, time and acquired experience is needed. It would therefore be unrealistic to maintain that the achievement of the objctives of administrative planning could be accomplished during a short period or even during the five years of a periodic plan. Far more time is needed, since this is a process of organic evolution, and not merely an outomatic transformation. Government machinery consists of individuals who must be retrained, whose standards of productive efficiency must be improved, and who must be made to imbibe the planning techniques. This will require a great deal of time, diligence and effort. The same is true of the re-adjustments or modifications required in the existing rules of the various government departments and establishments to prepare them for effective execution of the programmes and projects embodied in the Plan.

10. In Kuwait, the public sector operates most of the basic services, whether productive or purely social. Administrative planning thus becomes highly important since the government machinery, hitherto traditional, may prove inadequate to undertake the responsibilities necessary to execute the comprehensive economic and social developmnt plans. Some improvement could be effected if existing administrative regulations and procedures are revised, and a careful study made of ways and means to increase the efficiency of the civil service. Simi-

larly, existing relations between government departments should be defined and their fields of operation clearly specified. Finally, a distinction should be made between the administrative practices followed in discharging routine government duties, such as public security, the protection of rights, the collection of taxes, etc. and methods used when conducting the affairs concerned with development, such as production of electricity and water, administration of health and educational services, research, training, building and construction, transport, and communications, etc.

Studies and research must be continued in order to improve and raise the standard of efficiency of the civil service. Yet it may be possible to benefit immediately from many of the technical reports and extensive studies already completed. These deal with the re-organization of the civil service in order to improve its efficiency and make it more capable of carrying out its growing responsiblities.

11. The multiplicity and complexity of government functions and their projected expansion present two important planning problems. The first is the co-ordination of the functions of government bodies in the field of plan preparation and implementation as well as evaluation of progress in projects and programmes, and identification of reasons for delay or deviation from the prescribed course. The second is the analysis of the results in the light of the overall and specific

objectives of the development plan. Close co-operation between Ministries, government departmnts, and institutions and the Planning Board and its different departments, will undoubtedly help to overcome any difficulties and establish the foundations of the cooperation that must exist throughout the entire government machinery.

12. The State Budget, the budgets of the independent government authorities and those of government enterprises are the main instruments through which the development plans of the public sector will be carried out. While the periodic plans, each covering five years, express the aims and objectives hoped for during that period through implementation of programmes in various fields and sectors, the annual plans represent a legal commitment which should be carried out during the year for which the annual plan was prepared. The above budgets are in fact the practical means through which the projects included in the annual plans may be executed.

However, the ways in which these budgets are prepared, the accounting laws regulating their operations, and the expenditure procedures adopted for them, all affect the proper implementation of annual plans. They also ensure the accuracy of reviews, ascertain actual costs and compare them with their expected returns. All this in turn affects the objectives and aims embodied in the development plans.

A. The Government's Administrative Machinery

13. In the light of the points stated above, the government machinery will need to be examined in the light of the following basic principles.

a) The re-distribution of various duties in accordance with the principle of scientific management, i.e. every Ministry or independent government authority should handle allied and normally inter-related functions and activities. The functions of divisions or departments which are not closely related to those of the Ministry should be detached and annexed to whichever Ministry or Authority is mainly concerned with those departments or divisions.

b) The main activities and functions of each Ministry should be clearly defined. This will high light the relationships between the diivsions and departments of that Ministry as well as between one Ministry and other Ministries.

c) This clear formulation of duties and functions will determine each Ministry's or Public Department's optimum requirements of employees, and the skills, qualifications and experience which different types of personnel possess. This will also help to re-distribute the government civil servants among the various Ministries and departments to suit their quantitative and qualitative needs.

d) A two-pronged distinction should be made between administrative and economic activities. The first relates to maintenance of law and order while the second relates to those activities leading to the production of goods and services, such as electricity generation, water distillation and distribution, and other industrial enterprises, like the salt and chlorine plant, or commercial activities practised by government corporations or institutions, such as Kuwait Airways, the Credit and Savings Bank. These economic activities undertaken by the government should be isolated as far as possible from government routine. They should be given sufficient autonomy to allow them to operate according to the principles of productivity.

e) The principle of centralization should be adopted in planning and guidance while that of decentralization for execution. The concentration of power among a few often leads to confusion and delay in the implementation of projects. This will lead to a kind of dependence among those responsible for execution, since the responsibilities they are given are often very limited. Therefore, the base of responsibility in each Ministry or public department should be broadened. A distinction should be made between centralization of guidance and planning and decentralization of implementation. This will also help to create an atmosphere conducive to speedy execution of projects and also make easier transactions between government departments as well as those between those departments and the public.

14. The reorganization of the government's administrative machinery, and its transformation into an effective working body capable of shouldering the tasks entrusted to it, must take into consideration the special status enjoyed at present by the Municipality of Kuwait. At present the areas of responsibility of the Municipality covers the entire country. It has an elected Council which supervises municipal affairs in accordance with established legal provisions. Many of its functions overlap those practised by other Ministries of government departments. This position is a product of historical and social development of Kuwait. Yet it becomes necessary to re-examine the municipal services in the context of the new organizational framework. Another reason for such re-examination is the need to encourage local participation in the management of public services in different areas. Thus, the Plan proposes the establishment of several municipal units in various parts of the country. These would be managed by elected councils representing the various interests within the boundaries of each municipal unit. The negligence which has overtaken some areas in the country like Failaka Island, Jahra Village and the coastal villages shows

clearly that centralization of responsibility for all municipal services with one organization has not achieved geographical justice in providing these services. Instead the people of the smaller areas are constantly kept waiting for the basic services. Establishing small municipal units will help to provide those municipal services which at the moment are lacking in these communities. It will also help to strengthen the indigenous system of popular government and sustain the rights of the smaller communities to assess their own needs and find the best weys to satisfy them.

15. The efficiency of the government's administrative machinery is largely associated with the academic qualifications and practical experience of the civil servants. The attitude of the employee to the work he performs also has a profound effect on nis efficiency. If the employee considers his work as a mere source of personal benefit and not as a service he should perform on behalf of and in the interests of society, the standard and quality of his performance will undoubtedly be very low. Therefore, it is not enough for him to possess academic qualifications and practical experience alone. To these he should add a sincere belief that his job, carried out to the best of his ability, is a public service in the interests of society as a whole.

The reform in the Civil Service should be guided by the following basic considerations.

a) Fixation of the minimum academic qualifications or practical experience for every category of job.

b) No appointments to be made in contravention of the above.

c) Competitive examinations and personal interviews when hiring new government employees to assure justice and equality of opportunity. Exceptions to this condition should cover only those who have been sponsored by Ministries or other public bodies to be prepared for specific positions or jobs.

d) Promotions of government employees, wage-earners and labourers, to higher grades, to be made through acquiring the qualifications laid down in the job description for these grades. This may be done through regular study or the sucessfull completion of approved training programmes.

e) Holding training courses and seminars at various levels to improve the efficiency of the Civil Service and create opportunities for every employee, wage-earner and labourer to improve his qualifications and skill. The Civil Service Law must, make such promotion and up-grading dependent upon sucessful completion of such programmes once every five years.

f) A comprehensive survey of government employees, wage-earners and labourers, who have no educational qualifications and are almost illiterate; and a comprehensive programme of education and training to prepare them for different category of jobs within 5 years.

g) Including a provision in the Civil Service Law that will award any employee possessing a higher University degree with a monthly allowance determined by the standard of that degree. This will encourage government employees to continue their further education. Thus the holder of a Master's Degree will be awarded a higher allowance than a holder of a Bachelor's Degree; and a holder of a Ph.D. Degree, will get a still higher allowance than the holder of a Master's Degree.

h) Preference for women in select government jobs, particularly in the fields of education, health, social service, secretarial work, libraries, filing and registry, telecommunication, etc.

This may be accomplished by setting up special institutes for women possessing Intermediate or Secondary education.

To accomplish this the government will set up special institutes for women possessing Intermediate or Secondary Certificates to train them in the above occupations.

All these requirements which presumably will be issued in the form of rules and regulations, will apply to Kuwaiti nationals only. One of the basic objectives of the development plans is to raise the efficiency and develop the talents of Kuwaiti nationals. This will allow them to practise their various occupations and accept their full responsibilities in the best possible way.

16. However, the training of Kuwaiti men and women and preparing them for government posts at various levels is a matter which the development plan considers in a long-range perspective. It requires a much longer period than the five years of the Plan to yield any significant results. Therefore, the administrative machinery of the Government must, for a considerable time to come, continue to depend upon the services of non-Kuwaitis. A prerequisite for this dependence, however, should be the efficiency, experience and qualifications of the non-Kuwaitis. When these are high enough, it will be necessary to give such workers adequate guarantees for their present and future security. This may be assured through some or all of the following measures.

a) Opportunity for naturalization of competent personnel, especially those from other Arab countries, and giving them long-term contracts as a step towards naturalization.

b) Security of employment through a provision in the law that no employee may be dismissed or discharged without reasons defined clearly and plainly by Law and having been afforded an opportunity to explain his position.

c) Pensionary benefits for non-Kuwaiti government employees from a special fund to which both employees and government should contribute.

17. Perhaps one of the most important activities that should be discontinued as soon as possible is that of combining government employment with other occupations commercial or otherwise. Government employment is a public service to which the employee should devote all his time and thought. He should refrain from associating himself with any personal interests which might in any way affect his proper performance of the service entrusted to him.

B. Co-ordination Within the Framework of the Government's Administrative Machinery

18. When society adopts the principles of comprehensive planning, more is involved than the preparation of an investment programme to be executed during a number of years

A most important objective of systematic planning is to effect co-ordination among different government departments as well as between the public and the private sector. Unless this co-ordination exists, all efforts made, whether in the public or the private sector, for the achievement of specific objectives will not be fully effective.

19. The Planning Board which was created in August 1962, is no more than the instrument by which the State will be able to co-ordinate activity between government departments, and between those departments and the private sector. This facility can take place whether the activity is concerned with the creation, implementation or follow-up of development plans. The Planning Board was created to play the role of the State Economic Adviser, and to submit its recommendations on all matters relating to economic and social affairs, to the legislative and executive authorities. Although it prepares comprehensive development plans, and proposes appropriate economic and social policies, it is by no means isolated from government Ministries, public institutions and the organizations and establishments of the private sector. It is fundamental that the Board co-operate fully with all public and private institutions to find ideal solutions to the problems of economic development and social evolution. In other words, in order to prepare, implement and follow-up the development plans, all government and private institutions must work together under the direction and supervision of the Planning Board. They must expend utmost efforts, support and cooperation in order to achieve all of the objectives.

20. Thus, the success of the Planning Board in its job of co-ordination depends largely on the degree of co-operation and

response shown by the Ministries and public institutions and establishments. Furthermore, the response of the private sector to the proposals of the Planning Board, its participation in national investment and its full understanding of the requirements of the planning process, will undoubtedly help the Board do its job more effectively.

Furthermore, the sucess of planning will demand formation of the Planning Committees in the Ministries and other public establishments as mentioned in the Amiri Decree establishing the Planning Board. The functions of these Committees were defined in the Administrative Circular no. 10/63 dated 9th November 1963, issued by the Chairman of the Planning Board. These Committees represent the necessary link between the various Ministries and other public establishments on one hand and of the Planning Board with its different technical departments on the other.

The role of the Planning Committees will not be confined to reaching agreement with the Planning Board on the outlines of their proposed plans. Nor will it be limited to prescribing the scope of their development programmes and explaining the policies for its sucess. Their role extends to follow up the implementation of the various projects in the framework of the development programme for each Ministry or public authority, and studying their rate of performance. They must also locate bottlenecks and difficulties and find solutions to overcome them in collaboration with the central technical departments of the

Planning Board.

21. For efficient operation, the members of Planning Committees' and the staff must have a reasonable degree of planning awareness and possess requisite academic and technical qualifications. They must also understand all the varied problems encountered during the planning process. It is assumed that the members and staff of the Planning Committees will attend the training courses organized by the Kuwait Planning Institute.

C. The Statistical Programme

22. The preparation of the First Five Year Plan for Kuwait met with several difficulties. They arose from the lack of basic statistical data and the unreliability of the information that was available.

When the Plan was being prepared, there were no detailed statistics on national accounts, balance of payments, internal trade, prices, cost of living indices and agricultural, animal and industrial production. Therefore it became necessary to resort to approximations to obtain even the most elementary data needed for preparing the Plan estimates. This situation will not be allowed to continue. Steps will be taken to assure reliable and comprehensive data both for Planning and other needs.

The Central Statistical Office, has already made considerable progress. In April 1965 it carried out a population census.

Some of the results of this census have been made use of when preparing the basic accounts for the First Five Year Plan. As regards other basic statistical data, the Central Statistical Office has prepared an integrated programme in line with the requirements of the First Five Year Plan. This programme will be carried out during the Plan period.

23. The Plan assumes that the activities of the Central Statistical Office will branch out and expand during the next five years. The collection of various statistics and the execution of the proposed statistical programme requires the Office to co-operate with other Government Ministries and Departments. These must agree on the most suitable statistical methods to be adopted in the collection, complation and publication of statistical data. To help in this, the Statistical Office has installed the necessary machines to process the data. These will be made available to the Ministries and public bodies for processing their statistics.

Naturally, the sucess of the statiscal programme requires the Central Statistical Office to maintain continuous relations with all the public authorities and the private sector. These relations should be based on co-operation, mutual respect and mutual support.

24. Clearly, the implementation of the statistical programme requires a large staff adequately trained in applying the various statistical methods and techniques. It will therefore

be necessary to organize training courses at different levels in

be necessary to organize training courses at different levels, in order to provide the specialised personnel to carry out the proposed statistical programme. They will fill the present vacuum in this field both in the Central Statistical Office itself and other organizational, government and private.

Obviously, the training cannot be confined to the practical application of statistical methods and techniques. Extensive missions will need to be sent abroad for higher training in pure and applied statistics.

25. This free access to reliable, detailed and comprehensive statistical data will help the authorities when taking decisions on economic and social problems. But the speed with which they can obtain this data is no less important than its availability. More important than the collection of these statistics is the ability to obtain information instantly and of a high degree of accuracy and scope. The proposed statistical programme for the Plan period therefore includes establishing a centralised data processing centre. This will be used to ensure the prompt preparation of the various statistical data, their storage and easy access. The Data Processing Centre will also be used in cases where quick solutions are needed for some of the financial, economic or social problems that may arise.

D. Public Enterprises

26. Continuous economic growth cannot be achieved by

increasing economic investment alone. The efficiency of existing productive units must be increased, irrespective of any additional expansion in their productive capacity. Productivity in any productive unit may normally be increased through the adoption of the following methods.

a) Full and optimum use of idle resources both material and human, whether apparent or concealed.

   For example, the presence of surplus unused machinery in the productive unit is regarded as an apparent idle resource. Employing more than one worker where one worker could achieve the same output is a form of disguised unemployment, or concealed idleness of manpower.

b) Adoption of modern technical, financial, marketing and managerial techniques in the productive units to reduce expenses and increase their financial reserves.

c) Application of technical and scientific discoveries that will increase productivity, reduce costs and keep pace with technological progress.

These and other methods constitute the sound economic principles which must be adopted in the management of productive enterprises. The more committed productive enterprises are to these principles, the more they will be able to raise their productivity, and the more will the entire society reap the benefits of this increased productivity.

27. The adoption of such profit-oriented techniques by private enterprises is axiomatic. But the increasing involvement of the public sector in productive ventures should further spread the use of such techniques. The public sector's professed intention of involvement in direct production to safeguard the common interests of the people and provide them with benefits at more favourable terms than in the past, and its desire to provide goods and services at prices equal to or even below production costs should not prevent it from applying the most efficient production techniques. The important point to stress here is the need to know the actual cost of producing a commodity or service. This knowledge helps to reveal the productivity of the project and its cost to society as a whole.

28. In Kuwait, where the economic activity of the public sector is expanding steadily day by day, it has become necessary to reconsider the management methods used in production It is intended to establish them on sound economic principles, and keep them removed from the traditional methods of public administration. The production of electricity and water, telecommunications, manufacture of industrial products and provision of certain public transport services as well as banking qualify as economic activities. Consequently, they should be managed and organized according to principles operative in purely economic enterprises, irrespective of their ownership.

The Plan assumes that the economic activity in the public sector will be re-organized on the model of economic enterprises, on the following lines.

a) The establishment of independent public authorities to run integrated productive enterprises. In other words, such authorities should be responsible for all stages of activity from the production to the marketing stages.

b) The adoption of purely commercial and economic methods in the management of such public authorities.

c) The application of industrial accounting procedures and methods in calculating actual production costs and economic returns.

d) The measurement of the capital stock of all public enterprises through a comprehensive evaluation survey. This stock should be considered a permanent loan from the government as in the case of the Shuaiba Industrial Development Board.

e) Treating funds requested by public authorities to meet current expenditures or expand installed capacity as short-term, intermediate or long-term loans, as the case may be. These loans and their interest should be repaid to the Treasury in a manner defined by the contract concluded between public authorities and the Ministry of Finance.

f) Applying the term production subsidies to any funds paid by the State to such enterprises to meet deficits in budgets caused by maintaining fixed prices for their products below their production costs.

Establishing the above guidelines will raise public enterprises to their most efficient productive level within the national economy. Naturally, after these units have been supplied with the requisite fixed and working capital, they should be able to finance their operations and achieve a balance between costs and revenues, if not make a net profit. Since these enterprises yield public utility goods and services, such as electricity, water and telecommunications, the tariffs imposed for these goods and services must be subject to State control and are finally determined by the State. In return, the State undertakes to compensate these enterprises when the tariffs are fixed at a level lower than production cost. In other words, the State provides every citizen, through this procedure, with a disguised monetary subsidy in the form of lower tariffs than the cost would justify.

E. The Public Budget and the Accounting System

29. The Public Budget in Kuwait is still prepared in accordance with traditional methods and techniques that concentrate upon the details of State purchase of goods and services without considering the programmes and projects to be undertaken by the State and what services they will provide. The Law of 9th February 1960, containing a set of rules and provisions governing the preparation of the Budget, is an impor-

tant step towards the regulation of government expenditure and revenues and their subjection to several types of control. But to adopt comprehensive planning in Kuwait is to reconsider the concepts and principles by which the Budget is prepared at present. This requires a modification of the legal provisions and procedures governing it. The planning concept no longer views the State Budget as a mere stocktaking account. It is seen more as an important instrument of economic control, and as one of the effective elements which affect economic and social trends in the country. Moreover, the Budget is the principal medium used to execute the public sector's share of comprehensive development plans and to achieve the desired economic and social objectives.

30. The accounting rules followed when keeping various Budget records and accounts of expenditure or revenues must be able to give an accurate picture of the Treasury's financial situation at any time. The accuracy of accounting operations and the need to keep proper records should not prevent accounting rules from being prompt, flexible and free from complexities.

31. Preparing acceptable estimates of State revenues and expenditures to appear in the Public Budget, the supplementary Budgets and Independent Budgets, should be, tentatively, based on actual figures of revenues and expenditure in the previous fiscal year. This helps to assess performance in the previous fiscal year, and to clarify the State's financial dues and obliga-

tions. When the Public Budget is the main instrument for implementing the public sector's planned investment, the chance of quickly carrying out Budget allocations will make it easier to assess progress, delay or deviation in the planned schedule of the public sector.

32. Public accounting systems which ignore or cannot easily help to provide accounting and statistical requirements of annual development plans, need to be abandoned. They require be replaced by a system responsive to the planning rules, particularly of flexibility and speed. An important principle of reform which should be adopted immediately is to minimise the need for prior approval of expenditure. This is particularly true if it relates to the execution of development projects which should not be delayed in any way. Indeed, it might be more appropriate in the long run to emphasize post-expenditure control and hold officials responsible for illegal expenditure immediately this is discovered.

33. Bearing the above points in mind, in accordance with the legislative programme spelled out in the annual plans in the context of Five Year Plan it is necessary to adopt the following procedures.

a) Adoption of the programming and performance budgeting system to assess the real costs of government programmes and determine the achievements and returns of such programmes.

b) Concentration of final preparatory work on the Public Budget in one government authority. The close relationship between wages and salaries, public purchases, constructions and acquisitions makes this desirable. The Ministry of Finance should approve and execute the Budget. A necessary condition to this would be the promise of co-operation among all parties concerned in preparing of the Budget and in particular between the Planning Board and the Civil Service Commision.

c) Adding to the budget preparation a comprehensive analysis of the country's economic conditions; and an attempt to correlate budget proposals with the economic conditions foreseen in the following years.

d) Clarification of the many types of expenditures and their break-down into the following categories.

   i. Current expenditures which are provided for running the government's day-to-day affairs.

   ii. Expenditures earmarked for the maintenance of government buildings, fixed and moveable equipment and minor repair works. These should include the pay of wage-earners and labourers responsible for maintenance and the funds spent on the purchase of materials and spare parts needed for maintenance operations.

iii. Capital formation expenditures, under two categories, viz.

   (a) Funds spent or expected to be spent on replacement and renewal operations.

   (b) Funds spent or expected to be spent on the establishment of new capital assets.

It is necessary for every expenditure category to include all expenses relating to the work of that category. This means that the expenditure provided for each category will include the salaries and wages of employees and workers, administrative expense such as furniture, fittings, stationery, air-conditioning and similar expense, as well as funds allocated for fixed and mobile equipment and transport vehicles.

This is of great value in determining the actual cost of each type of government activity. Consequently it helps to measure the extent of achievement and the degree of flexibility.

e) The reform of the existing public accounting system to suit comprehensive planning requirements and modern concepts concerning government budget preparation. The modification of the existing accounting rules should allow the introduction and use of data processing equipment and calculating machines. This

will ensure an accurate and prompt settlement of financial accounts, and the preparation of follow-up reports for the Public Budget, which would be dependent in its coverage on the annual plans.

III. Plan Implementation and the Private & Joint Sectors

34. The Plan's estimates for investment by the private sector during the Plan years amounts to K.D. 345 million. The joint sector's investment for the same period are estimated at K.D. 60 million. Thus the total investment of both sectors amounts to K.D. 405 million. This is equal to about 44.4 per cent of the total national investment of K.D. 912 million expected to be accounted for during the Plan period.

The size of investment expected from the private and joint sectors indicates the degree of relative importance enjoyed by these sectors in the First Five-Year Plan. It also indicates the role to be played by each sector in carrying out the Plan.

35. It is necessary here to define the main characteristics of the private and joint sectors in relation to the Development Plan. Both sectors follow economic and commercial principles; and both are subject to the provisions of the Commercial Law. This law, of course, does not discriminate between public and private property or privileges but subjects both to its restrictions without distinction.

From the standpoint of the Plan, the joint sector's establishments serve the basic purpose of taking the initiative in setting-up those development projects which are vital to the national economy but which private entrepreneurs hesitate to undertake, because of doubtful profitability.

36. Despite the merits of the joint sector, whose activities are expected to expand in the long term, its estimated total investment during the Plan period represents just over one fifth of the estimated investment of the private sector. This means that the degree by which the private sector follows the Plan's aims and objectives will have for reaching effects on the success of the Plan. The commitment of the private sector to these objectives and the extent of its share in the national investment cannot, however, be firmly estimated. This is so because the role of the Plan concerning the private sector is one of guidance and demonstration. It controls the economic guidelines for society as a whole during the next five years and sketches the general route which all economic activities in the society (public, private and joint) should follow. The Plan also indicates the broad lines of the economic and social policies of the State. All these imply the guidance role of the Plan, on the basis of which it would be possible to project the activities of the private sector in productive investment.

37 The calculation of the degree of activity of private sector in the Development Plan depends not only on the above conditions. It is also dependent upon this sector's effective participa-

tion in designing the framework of the Plan and in preparing the details on the size of possible investment and the formulation of the Plan's basic policies. This effective participation in the preparation of the Plan is made possible through the presence in the Planning Board of representatives of the various economic interests. These members take part in discussions about development plans and in the decisions on the various studies relating to the preparation of those plans, especially those associated with the activities of the private sector. Such participation should go beyond this. The private sector's establishments, institutions and individuals should be invited to give their opinion about the draft Plan and to suggest modifications or make new proposals. Naturally, this participation should not only be confined to the Plan's preparation stage but should be a continuous process including the implementation and follow-up stages. This requires the private sector to be ready always to meet the public sector's requirements and supply it with the needed data, statistics and information. The commitment of the private sector to the adoption of approved policies, and its respect for organizational principles and procedures, are great aids to the sucess of development plans and the effective execution of their investment programmes.

38. The adherence of the private sector to planning requirements and its commitment to their policies would be easier if most of the private sector establishments and institutions

were organised as shareholding companies. This type of firm is usually more likely to favour planning procedures since its shareownership is widely distributed over a large number of shareholders. Moreover its shares can more easily be exchanged and transfered from one person to another than those of private companies. The broader the ownership base of a company or institution in the private sector, the lesser the private characteristics it will display. Hence the greater will be its qualifications to act in the public interest and thereby yield benefits to the greatest possible number of owners in society. This also helps to reconcile the public sector's activities with those of the private sector, and subsequently the implementation of their respective portions of the approved development plan. The Plan therefore, emphasizes the establishment of common stock companies and the broadening of their ownership base.

39. In this desire to see private economic activity reorganized along lines that will favourably dispose it to the planning process, the Development Plan assumes the adoption of certain principles which may be summarised as follows :

a) The expansion of the scope of the joint sector to enable it to lead the drive towards economic diversification, and become more favourable to private individuals seeking for their savings the security of economic enterprises in which the government is an interested partner.

b) Enlarging the dimensions of share-holding companies in order to broaden their ownership base. This is to be accomplished through granting them special facilities, privileges and concessions which would encourage private individuals to acquire equity holdings. The special rights may be made available by modifying certain existing statutes or by making new laws on taxation, credit, foreign trade, stock and security exchanges, etc.

c) The encouragement of institutions and enterprises from the private sector to take part in some of the training programmes conducted by the government, especially those of planning, statistics and business administration. The private sector will be expected to co-operate fully with the State in organizing technical and vocational training programmes to raise the standards of productivity of the labour force at all levels.

d) The standardisation and centralisation, as afr as possible, of requests made by Ministries and public authorities for statistical and other data from the institutions and establishments of the private sector. It is well known that one of the private sector's complaints in developing countries is the multiplicity of requests by government departments for information. The same information is asked for over and over again by different government departments. The elimination of such a complaint will, undoubtedly, make the private sector more responsive and co-operative in supplying government departments with the required information.

40. The greatest possible adherence to the spirit and proposals of the Plan by both the private and joint sectors may be realised by legalising several practical measures, such as the following :

a) Seating government representatives on the Boards of joint sector enterprises. This will acquaint the Plan and its expectations from the joint sector to people who form the private sector. It will also encourage a bid for their participation in the Plan and realization of its objectives in their sector. This co-operation will ensure that investment made in the private sector will be in line with the objectives of the Plan.

b) Making statutes incorporating various incentives which would encourage decision-making in both private and joint sectors towards the Plan's objectives in finance, credit, commerce and taxation.

c) Establishment of organs and institutions to help these two sectors expand and develop in the general direction followed by the Plan, such as the creation of an Investment Advisory Board and a Labour Training Centre.

d) Realism and objectivity in planning can be achieved in several ways. Complete studies of local conditions should be made. The joint and private sectors should consult together before preparation of the Plan. This will reflect the investment intentions and expansion of both the sectors, and subsequently encourage them to accept the Plan. In this respect, the Sectoral Planning Department of the Planning Board should make as many contacts as possible with the Boards of Directors of the joint and private establishments, and be acquainted with their inclinations, potential and plans. For the same purpose close co-operation should also be secured with the Chamber of Commerce and other vocational associations.

e) Publishing of clear information about the Plan and its aims and its distribution among joint and private sectors. This will enable the establishments of both sectors to be kept informed of the various fields of investment and productive expansion.

ERRATA

P. 77 The investments & sectors of K.C.F.C. & Aminoil should read interchanged.